

SL GREEN REALTY CORP
Form 10-K
February 27, 2013

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**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

FORM 10-K

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

For the fiscal year ended December 31, 2012

OR

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

For the transition period from _____ to _____
Commission File 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)

420 Lexington Avenue, New York, NY 10170
(Address of principal executive offices Zip Code)

13-3956755
(I.R.S. Employer
Identification No.)

(212) 594-2700

(Registrant's telephone number, including area code)

SECURITIES REGISTERED PURSUANT TO SECTION 12(B) OF THE ACT:

Title of Each Class	Name of Each Exchange on Which Registered
Common Stock, \$0.01 par value	New York Stock Exchange
7.625% Series C Cumulative Redeemable Preferred Stock, \$0.01 par value, \$25.00 mandatory liquidation preference	New York Stock Exchange

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6.500% Series I Cumulative Redeemable
Preferred Stock, \$0.01 par value,
\$25.00 mandatory Liquidation preference

New York Stock Exchange

SECURITIES REGISTERED PURSUANT TO SECTION 12(G) OF THE ACT: **None**

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes No

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 has submitted electronically and posted on its corporate Website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of the registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

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

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller Reporting Company

(Do not check if a
smaller reporting
company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes No

As of January 31, 2013, there were 91,270,393 shares of the Registrant's common stock outstanding. The aggregate market value of the common stock held by non-affiliates of the Registrant (84,260,300 shares) at June 30, 2012 was \$6.8 billion. The aggregate market value was calculated by using the closing price of the common stock as of that date on the New York Stock Exchange.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Registrant's Proxy Statement for its 2013 Annual Stockholders' Meeting to be filed within 120 days after the end of the Registrant's fiscal year are incorporated by reference into Part III of this Annual Report on Form 10-K.

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SL Green Realty Corp. is a self-managed real estate investment trust, or REIT, with in-house capabilities in property management, acquisitions, financing, development, construction and leasing. We were formed in June 1997 for the purpose of continuing the commercial real estate business of S.L. Green Properties, Inc., our predecessor entity. S.L. Green Properties, Inc., which was founded in 1980 by Stephen L. Green, our Chairman, had been engaged in the business of owning, managing, leasing, acquiring and repositioning office properties in Manhattan, a borough of New York City. Reckson Associates Realty Corp., or Reckson, and Reckson Operating Partnership, L.P., or ROP, are wholly-owned subsidiaries of SL Green Operating Partnership, L.P., our operating partnership.

As of December 31, 2012, we owned the following interests in commercial office properties in the New York Metropolitan area, primarily in midtown Manhattan. Our investments in the New York Metropolitan area also include investments in Brooklyn, Long Island, Westchester County, Connecticut and Northern New Jersey, which are collectively known as the Suburban assets:

Location	Ownership	Number of Properties	Square Feet	Weighted Average Occupancy ⁽¹⁾
Manhattan	Consolidated properties	27	18,347,945	93.8%
	Unconsolidated properties	9	5,934,434	95.0%
Suburban	Consolidated properties	25	3,863,000	79.9%
	Unconsolidated properties	5	1,539,700	84.7%
		66	29,685,079	91.7%

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

As of December 31, 2012, our Manhattan office properties were comprised of 21 fee owned properties, including ownership in commercial condominium units, and six leasehold owned properties. As of December 31, 2012, our Suburban office properties were comprised of 24 fee owned properties and one leasehold property. As of December 31, 2012, we also held fee owned interests in nine unconsolidated Manhattan office properties and five unconsolidated Suburban office properties. We refer to our consolidated and unconsolidated Manhattan and Suburban office properties collectively as our Portfolio.

As of December 31, 2012, we also owned investments in 15 stand-alone retail properties encompassing approximately 473,764 square feet, 16 development properties encompassing approximately 2,617,491 square feet, two residential properties encompassing 385 units (approximately 430,482 square feet), two land interests and 31 west coast office properties encompassing approximately 4,473,603 square feet. In addition, we manage two office properties owned by third parties and affiliated companies encompassing approximately 626,415 rentable square feet. As of December 31, 2012, we also held debt and preferred equity investments with a book value of \$1.4 billion.

Our corporate offices are located in midtown Manhattan at 420 Lexington Avenue, New York, New York 10170. As of December 31, 2012, our corporate staff consisted of approximately 273 persons, including 170 professionals experienced in all aspects of commercial real estate. We can be contacted at (212) 594-2700. We maintain a website at www.slgreen.com. On our website, you can obtain, free of charge, a copy of our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, as soon as reasonably practicable after we file such material electronically with, or furnish it to, the Securities and Exchange Commission, or the SEC. We have also made available on our website our audit committee charter,

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compensation committee charter, nominating and corporate governance committee charter, code of business conduct and ethics and corporate governance principles. We do not intend for information contained on our website to be part of this annual report on Form 10-K. You can also read and copy any materials we file with the SEC at its Public Reference Room at 100 F Street, NE, Washington, DC 20549 (1-800-SEC-0330). The SEC maintains an Internet site (<http://www.sec.gov>) that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC.

Unless the context requires otherwise, all references to the "Company," "we," "our" and "us" in this annual report means SL Green Realty Corp., a Maryland corporation, and one or more of its subsidiaries, including SL Green Operating Partnership, L.P., a Delaware limited partnership, or the Operating Partnership, or, as the context may require, SL Green Realty Corp. only or SL Green Operating Partnership, L.P. only, and "S.L. Green Properties" means S.L. Green Properties, Inc., a New York corporation, as well as the affiliated partnerships and other entities through which Stephen L. Green has historically conducted commercial real estate activities.

Corporate Structure

In connection with our initial public offering, or IPO, in August 1997, the Operating Partnership received a contribution of interests in real estate properties as well as a 95% economic, non-voting interest in the management, leasing and construction companies affiliated with S.L. Green Properties. We refer to these management, leasing and construction entities, which are owned by SL Green Management Corp, as the "Service Corporation." We are organized so as to qualify and have elected to qualify as a REIT under the Internal Revenue Code of 1986, as amended, or the Code.

Substantially all of our assets are held by, and all of our operations are conducted through, the Operating Partnership. We are the sole managing general partner of, and as of December 31, 2012, we are the owner of approximately 97.06% of the economic interests in, the Operating Partnership. All of the management and leasing operations with respect to our wholly-owned properties are conducted through SL Green Management LLC, or Management LLC. Our Operating Partnership owns a 100% interest in Management LLC.

In order to maintain our qualification as a REIT while realizing income from management, leasing and construction contracts with third parties and joint venture properties, all of these service operations are conducted through the Service Corporation, a consolidated variable interest entity. We, through our Operating Partnership, expect to receive substantially all of the cash flow from the Service Corporation's operations. All of the voting common stock of the Service Corporation is held by an entity owned and controlled by the chairman of our board of directors.

Business and Growth Strategies

SL Green Realty Corp., New York City's largest commercial landlord, is the only fully integrated REIT that is focused primarily on acquiring, managing and maximizing the value of Manhattan commercial properties.

Our primary business objective is to maximize the total return to stockholders, through growth in funds from operations and through asset value appreciation. Our core business is the ownership of high quality office buildings that are strategically located in close proximity to midtown Manhattan's primary commuter stations. The commercial real estate expertise resulting from owning, operating, investing and lending in Manhattan for over 32 years has also enabled us to invest in a collection of premier retail properties, selected multifamily residential assets, and high quality debt and preferred equity investments. We also own high quality office properties in the surrounding markets of Brooklyn, Long Island, Westchester County, Connecticut and Northern New Jersey.

We are led by a strong, experienced management team that provides a foundation of skills in all aspects of property ownership and management including investment, leasing, operations, capital improvements, financing, repositioning and maintenance. It is with this team that we have achieved a market leading position in our targeted submarkets.

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We seek to enhance the value of our company by executing strategies that include the following:

Leasing and property management capitalizing on our extensive presence and knowledge of the marketplaces in which we operate.

Acquiring office, retail and residential properties and selectively using joint venture capital to enhance returns and reduce investment risk.

Investing in high-yielding debt and preferred equity positions, generating strong risk-adjusted returns, increasing breadth of market insight, building key market relationships and sourcing potential future property acquisition opportunities.

Executing dispositions through sales or joint ventures that harvest equity generated through management's value enhancing activities, thereby providing a continuing source of capital for reinvestment.

Leasing and Property Management

We seek to capitalize on our management's extensive knowledge of the Manhattan and suburban markets and the needs of our tenants through proactive leasing and management programs, which include: (i) use of in-depth market experience resulting from managing and leasing 32.8 million square feet of office and retail space, predominantly in Manhattan; (ii) careful management to ensure adequate average lease term and manageable lease rollovers; (iii) utilization of an extensive network of third-party brokers; (iv) use of comprehensive building management analysis and planning; and (v) commitment to tenant satisfaction by providing high quality tenant services at attractive rental rates.

It is our belief that our proactive leasing efforts have directly contributed to our average portfolio occupancy consistently exceeding the market average.

Property Acquisitions

We acquire core properties for long-term appreciation and earnings growth. We also acquire non-core properties that are typically held for shorter periods during which we attempt to create significant increases in value. This strategy has resulted in capital gains that increase our investment capital base. In implementing this strategy, we continually evaluate potential acquisition opportunities. These acquisitions may come from new properties as well as properties in which we already hold a joint venture interest or from our debt and preferred equity investments. Although we continuously review our acquisition pipeline, there is not a specific metric that we apply to acquisitions that are under consideration.

Through intimate knowledge of our markets and operating base we have developed a keen ability to source transactions with superior risk-adjusted returns by capturing off-market opportunities that lead to acquisitions at meaningful discounts to replacement costs. In rising markets, we acquire strategic vacancies that provide the opportunity to take advantage of our exceptional leasing capability to increase cash flow and property value. In stable or falling markets, we target assets featuring credit tenancies with fully escalated in-place rents to provide cash flow stability near-term and the opportunity for increases over time.

In acquiring core and non-core properties, directly or through joint ventures with a predominance of high quality institutional investors, we believe that we have the following advantages over many of our competitors: (i) senior management's average 26 years of experience leading a full-service, fully-integrated real estate company focused on the Manhattan office market; (ii) the ability to offer tax-advantaged structures to sellers through the exchange of ownership interests as opposed to solely cash transactions; and (iii) the ability to close transactions quickly despite complicated ownership structures.

Property Repositioning

Our knowledge of the leasing markets and our ability to efficiently plan and execute capital projects provide the expertise to enhance returns by repositioning properties that are underperforming. Many of the retail and

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commercial office buildings we own or seek to acquire feature unique architectural design elements, including large floor plates, unique amenities and characteristics that can be appealing to tenants when fully exploited. Our strategic investment in these buildings, combined with our active management and pro-active leasing, provide the opportunity to creatively meet market needs and generate favorable returns.

Debt and Preferred Equity Investments

We invest in well-collateralized debt and preferred equity investments that generate attractive yields. See Note 5, "Debt and Preferred Equity Investments," in the accompanying consolidated financial statements. Knowledge of our markets and our leasing and asset management expertise provide underwriting capabilities that enable a highly educated assessment of risk and return. The benefits of this investment program, which has a carefully managed aggregate size generally not to exceed 10% of our total enterprise value, include the following:

Our typical investments generally provide high current returns and, in certain cases, the potential for future capital gains.

In certain cases, these investments may also serve as a potential source of real estate acquisitions for us. This is particularly true when a property's current ownership seeks an efficient off-market transaction, because ownership knows that we have already gained knowledge of the asset through the existing investment, and that we can close quickly if we believe such acquisition would be beneficial.

These investments are concentrated in Manhattan, which helps us gain market insight and awareness of upcoming and active investment opportunities and support for key relationships that may provide access to future investment opportunities.

Property Dispositions

We continually evaluate our properties to identify those most suitable to meet our long-term earnings and cash flow growth objectives and contribute to increasing portfolio value. Properties that no longer meet our objectives are evaluated for sale, or in certain cases, joint venture to release equity created through management's value enhancement programs or to take advantage of opportune market valuations.

Capital generated from these dispositions is efficiently re-deployed into property acquisitions and investments in debt and preferred equity investments that we expect will provide enhanced future capital gains and earnings growth opportunities.

Competition

The leasing of real estate is highly competitive, especially in the Manhattan office market. We compete for tenants with landlords and developers of similar properties located in our markets primarily on the basis of location, rent charged, services provided, balance sheet strength and liquidity and the design and condition of our properties. Although currently no other publicly traded REIT has been formed primarily to acquire, own, reposition and manage Manhattan commercial office properties, we may in the future compete with such other REITs. In addition, we face competition from other real estate companies including other REITs that currently invest in markets other than or in addition to Manhattan, private real estate funds, domestic and foreign financial institutions, life insurance companies, pension trusts, partnerships, individual investors and others that may have greater financial resources or access to capital than we do or that are willing to acquire properties in transactions which are more highly leveraged or with different financial attributes than we are willing to pursue.

Manhattan Office Market Overview

Manhattan is by far the largest office market in the United States, containing more rentable square feet than the next five largest central business district office markets combined. The properties in our portfolio are concentrated in some of Manhattan's most prominent midtown locations.

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According to Cushman and Wakefield Research Services, Manhattan has a total inventory of 392.0 million square feet, including 241.5 million square feet in midtown. Based on current construction activity, we estimate that midtown Manhattan will have approximately 1.8 million square feet of new construction becoming available in the next two years, 23.5% of which is pre-leased. This will add approximately 0.5% to Manhattan's total inventory.

General Terms of Leases in the midtown Manhattan Markets

Leases entered into for space in the midtown Manhattan markets typically contain terms that may not be contained in leases in other U.S. office markets. The initial term of leases entered into for space in the midtown Manhattan markets is generally seven to fifteen years. Tenants leasing space in excess of 10,000 square feet for an initial term of 10 years or longer often will negotiate an option to extend the term of the lease for one or two renewal periods, typically for a term of five years each. The base rent during the initial term often will provide for agreed-upon periodic increases over the term of the lease. Base rent for renewal terms is most often based upon the then fair market rental value of the premises as of the commencement date of the applicable renewal term (determined by binding arbitration in the event the landlord and the tenant are unable to mutually agree upon the fair market value), though base rent for a renewal period may be set at 95% of the then fair market rent. Very infrequently, leases may contain termination options whereby tenants can terminate their lease obligations upon payment of a penalty together with repayment of the unamortized portion of the landlord's transaction costs (e.g., brokerage commissions, free rent periods, tenant improvement allowances, etc.).

In addition to base rent, the tenant will generally also pay its pro rata share of increases in real estate taxes and operating expenses for the building over a base year (which is typically the year during which the term of the lease commences) based upon the tenant's proportionate occupancy of the building. In some smaller leases (generally less than 10,000 square feet), in lieu of paying additional rent based upon increases in building operating expenses, base rent will be increased each year during the lease term by a set percentage on a compounding basis (though the tenant will still pay its pro rata share of increases in real estate taxes over a base year).

Tenants typically receive a free rent period following commencement of the lease term, which in some cases may coincide with the tenant's construction period.

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

In a typical lease for a new tenant renting in excess of 10,000 feet, the landlord will deliver the premises with existing improvements demolished and any asbestos abated. In such instances, the landlord also typically will provide a tenant improvement allowance, which is a fixed sum that the landlord makes available to the tenant to reimburse the tenant for all or a portion of the tenant's initial construction of its premises. Such sum typically is payable as work progresses, upon submission of invoices for the cost of construction and lien waivers. However, in certain leases (most often for relatively small amounts of space), the landlord will construct the premises for the tenant at a cost to the landlord not to exceed an agreed upon amount with the tenant paying any excess. In addition, landlords may rent to a tenant a space that is "pre-built" (i.e., space that was constructed by the landlord in advance of lease signing and ready to move in with the tenant selecting paint and carpet colors).

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The following table sets forth the weighted average occupancy rates at our office properties based on space leased as of December 31, 2012, 2011 and 2010:

Property	Percent Occupied as of December 31,		
	2012	2011	2010
Manhattan Properties	94.1%	92.5%	92.9%
Suburban Properties	81.3%	86.2%	87.3%
Same-Store Properties ⁽¹⁾	90.3%	89.6%	N/A
Unconsolidated Joint Venture Properties	92.9%	94.0%	95.2%
Portfolio	91.7%	91.5%	91.6%

(1) Same-Store Properties for 2012 represents 46 of our 52 consolidated properties owned by us at January 1, 2011 and still owned by us at December 31, 2012 in the same manner.

Rent Growth

We estimated that rents in place at December 31, 2012 for all leases expiring in future periods in our Manhattan and Suburban consolidated properties were approximately 13.7% and 1.5%, respectively, below management's estimates of current market asking rents. Taking rents are typically lower than asking rents and may vary from property to property. We estimated that rents in place at December 31, 2012 for all leases expiring in future periods in our Manhattan and Suburban properties owned through unconsolidated joint ventures were approximately 10.8% below and 5.0% above, respectively, management's estimates of current market asking rents. At December 31, 2011, the estimated rents in place were approximately 10.9% and 3.0% for the consolidated properties and 8.8% and 9.9% for the unconsolidated joint venture properties below management's estimates of the then current market asking rents. As of December 31, 2012, approximately 37.5% and 56.4% of all leases in-place in our Manhattan and Suburban consolidated properties, respectively, were scheduled to expire during the next five years. As of December 31, 2012, approximately 19.6% and 69.6% of all leases in-place in our Manhattan and Suburban properties owned through unconsolidated joint ventures, respectively, were also scheduled to expire during the next five years. There can be no assurances that our estimates of current market rents are accurate, that market rents currently prevailing will not erode in the future or that we will realize any rent growth. However, we believe that rents, which in the current portfolio are below market, provide a potential for long-term internal growth.

Industry Segments

We are a REIT that acquires, owns, repositions, manages and leases commercial office, retail and multi-family properties in the New York Metropolitan area and have two reportable segments: real estate and debt and preferred equity investments. We evaluate real estate performance and allocate resources based on earnings contribution to income from continuing operations.

At December 31, 2012, our real estate portfolio was primarily located in one geographical market, the New York Metropolitan area. The primary sources of revenue are generated from tenant rents and escalations and reimbursement revenue. Real estate property operating expenses consist primarily of security, maintenance, utility costs, real estate taxes and ground rent expense (at certain applicable properties). As of December 31, 2012, one tenant in our portfolio contributed approximately 6.9% of our Portfolio annualized cash rent. No other tenant contributed more than 6.4% of our Portfolio annualized cash rent. Portfolio annualized cash rent includes our consolidated annualized cash rent and our share of joint venture annualized cash rent. No property contributed in excess of 8.7% of our consolidated total revenue for 2012. In addition, two debt and preferred equity investments each accounted for more than 10.0% of the revenue earned on debt and preferred equity investments in 2012. Our industry segments are discussed in Note 19, "Segment Reporting," in the accompanying consolidated financial statements.

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Employees

At December 31, 2012, we employed approximately 1,092 employees, over 171 of who were managers and professionals, approximately 817 of whom were hourly-paid employees involved in building operations and approximately 104 of whom were clerical, data processing and other administrative employees. There are currently three collective bargaining agreements which cover the workforce that services substantially all of our properties.

Acquisitions

During 2012, we acquired 12 properties for aggregate gross purchase prices of \$641.3 million encompassing 1.1 million square feet. In addition, we invested in five properties through joint ventures for aggregate gross purchase prices of \$626.7 million and encompassing 0.6 million square feet. We also acquired an ownership interest in a portfolio of 31 west coast office properties encompassing 4.5 million square feet.

Dispositions

During 2012, we sold our fee interest at 292 Madison Avenue for \$85.0 million and recognized a gain of \$6.6 million on the sale. In addition, we also sold our 49.5% partnership interest in 521 Fifth Avenue at an implied gross valuation of \$315.0 million and recognized a gain of approximately \$19.4 million on the sale. We also sold interests in four joint ventures for an aggregate sales price of \$1.2 billion, which encompassed 1.6 million square feet and recognized gains aggregating \$17.7 million on such sales.

Debt and Preferred Equity Investments

During 2012, we originated or acquired approximately \$672.9 million in debt and preferred equity investments (net of new discounts), inclusive of accretion of previous discounts and pay-in-kind interest. We recorded approximately \$298.7 million in sales, repayments, participations and foreclosures. We also recorded \$3.0 million in loan loss reserves in 2012.

Offering/Financings

In November 2012, we entered into a \$1.6 billion credit facility, or the 2012 credit facility, which refinanced, extended and upsized our previous 2011 revolving credit facility. The 2012 credit facility consists of a \$1.2 billion revolving credit facility, which matures in March 2017 with two six-month extension options, and a \$400.0 million term loan facility, which matures in March 2018. The revolving credit facility and term loan facility currently bear interest at 145 basis points and 165 basis points over LIBOR, respectively, based on the unsecured bond rating of ROP.

In 2012, we sold 2.6 million shares of common stock through our "at-the-market" equity offering program raising net proceeds of \$201.3 million, which were used to repay certain of our existing indebtedness, to make investments in additional properties and debt and preferred equity investments and for general corporate purposes.

In November 2012, we issued \$200.0 million principal amount of 4.50% senior unsecured notes, due in 2022 at par. The net proceeds from the offering (approximately \$198.2 million) were used to repay certain of our existing indebtedness, to make investments in additional properties and debt and preferred equity investments and for general corporate purposes.

During 2012, we issued 6.50% Series I Cumulative Redeemable Preferred Stock generating net proceeds to the Company of \$222.2 million, redeemed the entire \$100.0 million, 7.875% Series D Cumulative Redeemable Preferred Stock and redeemed \$100.0 million of the 7.625% Series C Cumulative Redeemable Preferred Stock.

In December 2012, we repurchased \$42.4 million aggregate principal amounts of senior unsecured notes, consisting of \$22.7 million of ROP's 5.875% Notes due 2014 and \$19.7 million of ROP's 6.0% Notes due 2016, for a total consideration of \$46.4 million and realized a net loss on early extinguishment of debt of approximately \$3.8 million.

During 2012, we also closed on six mortgages and other loans payable, which are collateralized by our real estate, debt and preferred equity investments, totaling approximately \$1.3 billion. Our joint ventures closed on eight mortgages and other loans totaling approximately \$1.8 billion.

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ITEM 1A. RISK FACTORS

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

Most of our commercial office properties, based on square footage, are located in midtown Manhattan. As a result, our business is dependent on the condition of the New York City economy in general and the market for office space in midtown Manhattan in particular. Future weakness and uncertainty in the New York City economy could materially reduce the value of our real estate portfolio and our rental revenues, and thus adversely affect our cash flow and ability to service current debt and to pay dividends to stockholders. Similarly, future weakness and uncertainty in our suburban markets could adversely affect our cash flow and ability to service current debt and to pay dividends to stockholders.

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

When our tenants decide not to renew their leases upon their expiration, we may not be able to relet the space. Even if tenants do renew or we can relet the space, the terms of renewal or reletting, taking into account among other things, the cost of tenant improvements and leasing commissions, may be less favorable than the terms in the expired leases. As of December 31, 2012, approximately 8.3 million and 2.0 million square feet, representing approximately 40.2% and 46.2% of the rentable square feet, were scheduled to expire by December 31, 2017 at our consolidated properties and unconsolidated joint venture properties, respectively, and as of December 31, 2012, these leases had annualized escalated rent totaling approximately \$422.8 million and \$90.6 million, respectively. We also have leases with termination options beyond 2017. If we are unable to promptly renew the leases or relet the space at similar rates, our cash flow and ability to service debt and pay dividends to stockholders could be adversely affected.

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

Our interests in 673 First Avenue, 420 Lexington Avenue, 461 Fifth Avenue, 711 Third Avenue, 625 Madison Avenue, 1185 Avenue of the Americas and 1080 Amsterdam Avenue, all in Manhattan, and 1055 Washington Avenue, Stamford, Connecticut, are through either long-term leasehold or operating sublease interests in the land and the improvements, rather than by ownership of fee interest in the land. We have the ability to acquire the fee position at 461 Fifth Avenue for a fixed price on a specific date. Unless we can purchase a fee interest in the underlying land or extend the terms of these leases before their expiration, we will lose our right to operate these properties upon expiration of the leases, which would significantly adversely affect our results of operations. The average remaining term of these long-term leases as of December 31, 2012, including our unilateral extension rights on each of the properties, is approximately 72 years. Pursuant to the leasehold arrangement, we, as tenant under the operating sublease, perform the functions traditionally performed by landlords with respect to our subtenants. We are responsible for not only collecting rent from our subtenants, but also maintaining the property and paying expenses relating to the property. Our share of annualized cash rents of these properties at December 31, 2012 totaled approximately \$257.4 million, or 22%, of our share of total Portfolio annualized cash rent.

Our results of operations rely on major tenants and insolvency, bankruptcy or receivership of these or other tenants could adversely affect our results of operations.

Giving effect to leases in effect as of December 31, 2012 for consolidated properties and unconsolidated joint venture properties, as of that date, our five largest tenants, based on square footage leased, accounted for approximately 22.1% of our share of Portfolio annualized cash rent, with three tenants, Citigroup, Inc., Viacom International Inc. and Credit Suisse Securities (USA) LLC accounting for approximately 6.4%, 6.9% and 6.0% of

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our share of Portfolio annualized cash rent, respectively. In addition, the financial services sector, which has been volatile in recent years, accounted for approximately 36% of our Portfolio annualized cash rent as of December 31, 2012. This sector continues to experience turmoil. If current conditions in the industries in which our tenants are concentrated deteriorate, we may experience increases in past due accounts, defaults, lower occupancy and reduced effective rents. Our business would be adversely affected if any of our major tenants became insolvent, declared bankruptcy, are put into receivership or otherwise refused to pay rent in a timely fashion or at all.

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

Our business may be affected by volatility in the financial and credit markets and other market or economic challenges experienced by the U.S. economy or real estate industry as a whole, such as those experienced as a result of the economic downturn that began in the second half of 2007, which lead to a nationwide decline in demand for office and retail space due to bankruptcies, downsizing, layoffs and cost cutting. Future periods of economic weakness could result in reduced access to credit and/or wider credit spreads. Economic uncertainty, including concern about the stability of the markets generally, may lead many lenders and institutional investors to reduce, and in some cases, cease to provide funding to borrowers, which could adversely affect our liquidity and financial condition, and the liquidity and financial condition of our tenants. Our business may also be adversely affected by local economic conditions, as substantially all of our revenues are derived from our properties located in the Northeast, particularly in New York, Northern New Jersey and Connecticut. Because our portfolio consists primarily of commercial office buildings (as compared to a more diversified real estate portfolio) located principally in Manhattan, if economic conditions deteriorate, then our results of operations, financial condition and ability to service current debt and to pay dividends to our stockholders may be adversely affected. Specifically, our business may be affected by the following conditions:

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

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

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

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

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

We earn a significant portion of our income from renting our properties. Our operating costs, however, do not necessarily fluctuate in proportion to changes in our rental revenue. As a result, our costs will not necessarily decline even if our revenues do. Similarly, our operating costs could increase while our revenues stay flat or decline. In either such event, we may be forced to borrow to cover our costs, we may incur losses or we may not have cash available to service our debt and to pay dividends to our stockholders.

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We face risks associated with property acquisitions.

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

even if we enter into an acquisition agreement for a property, it is usually subject to customary conditions to closing;

we may be unable to finance acquisitions on favorable terms or at all;

acquired properties may fail to perform as we expected;

our estimates of the costs of repositioning or redeveloping acquired properties may be inaccurate;

we may not be able to obtain adequate insurance coverage for new properties;

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

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

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

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

liabilities incurred in the ordinary course of business;

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

liabilities for clean-up of undisclosed environmental contamination.

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

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

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

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companies, sovereign wealth funds, pension trusts, partnerships and individual investors; and

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

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

Six of our properties, 420 Lexington Avenue, 485 Lexington Avenue, One Madison Avenue, 1185 Avenue of the Americas, 1515 Broadway and 388-390 Greenwich Street, accounted for approximately 37.1% of our Portfolio annualized cash rent, which includes our share of joint venture annualized rent as of December 31, 2012. Our

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revenue and cash available for distribution to our stockholders would be materially adversely affected if any of these properties were materially damaged or destroyed. Additionally, our revenue and cash available to service debt and for distribution to our stockholders would be materially adversely affected if tenants at these properties fail to timely make rental payments due to adverse financial conditions or otherwise, default under their leases or filing for bankruptcy.

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

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

A terrorist attack could cause insurance premiums to increase significantly.

We maintain "all-risk" property and rental value coverage (including coverage regarding the perils of flood, earthquake and terrorism) within two property insurance portfolios and liability insurance. As of December 31, 2012, the first property portfolio maintains a blanket limit of \$775.0 million per occurrence, including terrorism, for the majority of the New York City properties in our portfolio. The second portfolio maintains a limit of \$750.0 million per occurrence, including terrorism, for some New York City properties and the majority of the Suburban properties. Both policies expire on December 31, 2013. Each policy includes \$100.0 million of flood coverage, with a lower sublimit for locations in high hazard flood zones. We maintain liability policies which cover all our properties and provide limits of \$201.0 million per occurrence and in the aggregate per location. The liability policies expire on October 31, 2013. Additional coverage may be purchased on a stand-alone basis for certain assets.

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

Terrorism: Belmont acts as a direct property insurer with respect to a portion of our terrorism coverage for the New York City properties. Belmont has a terrorism coverage limit of \$650.0 million in a layer in excess of \$100.0 million. In addition, Belmont purchased reinsurance to reinsure the retained insurable risk not otherwise covered under Terrorism Risk Insurance Program Reauthorization and Extension Act of 2007, or TRIPRA, as detailed below.

NBCR: Belmont has acted as a direct insurer of NBCR and since December 31, 2011, has provided coverage up to \$750 million on our entire property portfolio for certified acts of terrorism above a program trigger of \$100.0 million. Belmont is responsible for a small deductible and 15% of a loss, with the remaining 85% covered by the Federal government.

General Liability: For the period commencing October 31, 2010, Belmont insures a retention on the general liability insurance of \$150,000 per occurrence and a \$2.1 million annual aggregate stop loss limit. We have secured excess insurance to protect against catastrophic liability losses above the \$150,000 retention. Prior policy years carried a higher per occurrence deductible and/or higher aggregate stop loss. Belmont has retained a third party administrator to manage all claims within the retention and we anticipate that direct management of liability claims will improve loss experience and ultimately lower the

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cost of liability insurance in future years. In addition, we have an umbrella liability policy of \$200.0 million per occurrence and in the aggregate on a per location basis.

Environmental Liability: Belmont insures a deductible of \$975,000 per occurrence in excess of \$25,000 on a \$25.0 million per occurrence and \$30.0 million aggregate environmental liability policy covering the entire portfolio.

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

The Terrorism Risk Insurance Act, or TRIA, which was enacted in November 2002, was renewed on December 31, 2007. Congress extended TRIA, now called TRIPRA (Terrorism Risk Insurance Program Reauthorization and Extension Act of 2007) until December 31, 2014. The law extends the federal Terrorism Insurance Program that requires insurance companies to offer terrorism coverage and provides for compensation for insured losses resulting from acts of certified terrorism, subject to the current program trigger of \$100.0 million. There is no assurance that TRIPRA will be extended. Our debt instruments, consisting of mortgage loans secured by our properties (which are generally non-recourse to us), mezzanine loans, ground leases, our 2012 credit facility, senior unsecured notes and other corporate obligations, contain customary covenants requiring us to maintain insurance. Although we believe that we currently maintain sufficient insurance coverage to satisfy these obligations, there is no assurance that in the future we will be able to procure coverage at a reasonable cost. In such instances, there can be no assurance that the lenders or ground lessors under these instruments will not take the position that a total or partial exclusion from "all-risk" insurance coverage for losses due to terrorist acts is a breach of these debt and ground lease instruments allowing the lenders or ground lessors to declare an event of default and accelerate repayment of debt or recapture of ground lease positions. In addition, if lenders prevail in asserting that we are required to maintain full coverage for these risks, it could result in substantially higher insurance premiums.

We monitor all properties that are subject to triple net leases to ensure that tenants are providing adequate coverage. Certain joint ventures may be covered under policies separate from our policies, at coverage limits which we deem to be adequate. We continually monitor these policies. Although we consider our insurance coverage to be appropriate, in the event of a major catastrophe, such as an act of terrorism, we may not have sufficient coverage to replace certain properties.

We face possible risks associated with the physical effects of climate change.

We cannot predict with certainty whether climate change is occurring and, if so, at what rate. However, the physical effects of climate change could have a material adverse effect on our properties, operations and business. For example, we own interests in commercial office properties in the New York Metropolitan area, primarily in midtown Manhattan. Our investments in the New York Metropolitan area also include investments in Brooklyn, Long Island, Westchester County, Connecticut and Northern New Jersey. To the extent climate change causes changes in weather patterns, our markets could experience increases in storm intensity, such as those experienced in Hurricane Sandy in October 2012, and rising sea-levels. Over time, these conditions could result in declining demand for office space in our buildings or the inability of us to operate the buildings at all. Climate change may also have indirect effects on our business by increasing the cost of (or making unavailable) property insurance on terms we find acceptable, increasing the cost of energy and increasing the cost of snow removal at our properties. There can be no assurance that climate change will not have a material adverse effect on our properties, operations or business.

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Leasing office space to smaller and growth-oriented businesses could adversely affect our cash flow and results of operations.

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

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

Scheduled debt payments could adversely affect our results of operations.

Cash flow could be insufficient to pay dividends and meet the payments of principal and interest required under our current mortgages and other indebtedness, including our 2012 credit facility, senior unsecured notes, debentures and indebtedness outstanding at our joint venture properties. The total principal amount of our outstanding consolidated indebtedness was approximately \$6.5 billion as of December 31, 2012, consisting of approximately \$470.0 million under our 2012 credit facility, which is inclusive of our \$400.0 million term loan, \$1.3 billion under our senior unsecured notes, \$100.0 million under our junior subordinated deferrable interest debentures and approximately \$4.6 billion of non-recourse mortgages and loans payable on 22 of our properties and certain debt and preferred equity investments, and recourse loans on two of our investments. In addition, we could increase the amount of our outstanding indebtedness in the future, in part by borrowing under our 2012 credit facility, which had \$1.1 billion undrawn capacity as of December 31, 2012. Our 2012 credit facility in aggregate matures in March 2018, which includes two six-month extension options on the \$1.2 billion revolving credit facility of this 2012 credit facility. As of December 31, 2012, the total principal amount of non-recourse indebtedness outstanding at the joint venture properties was approximately \$5.1 billion, of which our proportionate share was approximately \$1.9 billion. As of December 31, 2012, the total principal amount of recourse indebtedness outstanding at the joint venture properties was approximately \$218.4 million.

If we are unable to make payments under our 2012 credit facility, all amounts due and owing at such time shall accrue interest at a rate equal to 2% higher than the rate at which each draw was made. If we are unable to make payments under our senior unsecured notes, the principal and unpaid interest will become immediately payable. If a property is mortgaged to secure payment of indebtedness and we are unable to meet mortgage payments, the mortgagee could foreclose on the property, resulting in loss of income and asset value. Foreclosure on mortgaged properties or an inability to make payments under our 2012 credit facility or our senior unsecured notes would have a negative impact on our financial condition and results of operations.

We may not be able to refinance existing indebtedness, which may require substantial principal payments at maturity. In 2013, approximately \$116.7 million of corporate indebtedness, \$182.3 million of mortgage debt on our consolidated properties and \$176.5 million which is our share of mortgage debt on our unconsolidated joint venture properties will mature. At the present time we intend to exercise extension options, repay or refinance the debt associated with our properties on or prior to their respective maturity dates. At the time of refinancing, prevailing interest rates or other factors, such as the possible reluctance of lenders to make commercial real estate loans may result in higher interest rates. Increased interest expense on the refinanced debt would adversely affect cash flow and our ability to service debt and pay dividends to stockholders. If any principal payments due at maturity cannot be repaid, refinanced or extended, our cash flow will not be sufficient in all years to repay all maturing debt.

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

The mortgages and mezzanine loans on our properties generally contain customary negative covenants that limit our ability to further mortgage the properties, to enter into new leases without lender consent or materially modify existing leases, and to discontinue insurance coverage, among other things. In addition, our 2012 credit

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facility and senior unsecured notes contain restrictions and requirements on our method of operations. Our 2012 credit facility and our unsecured notes also require us to maintain designated ratios, including but not limited to, total debt-to-assets, debt service coverage, encumbered assets-to-assets and unencumbered assets-to-unsecured debt. These restrictions could adversely affect our results of operations, our ability to pay debt obligations and our ability to pay dividends to stockholders.

Rising interest rates could adversely affect our cash flow.

Advances under our 2012 credit facility and certain property-level mortgage debt bear interest at a variable rate. These consolidated variable rate borrowings totaled approximately \$1.6 billion at December 31, 2012. In addition, we could increase the amount of our outstanding variable rate debt in the future, in part by borrowing under our 2012 credit facility, which consisted of a \$1.2 billion revolving credit facility and \$400.0 million term loan and had \$1.1 billion available for draw as of December 31, 2012. Borrowings under our revolving credit facility and term loan currently bore interest at the 30-day LIBOR, plus spreads of 145 basis points and 165 basis points, respectively, at December 31, 2012. As of December 31, 2012, borrowings under our 2012 credit facility and junior subordinated deferrable interest debentures totaled \$470.0 million and \$100.0 million, respectively, and bore interest at 1.93% and 5.61%, respectively. We may incur indebtedness in the future that also bears interest at a variable rate or may be required to refinance our debt at higher rates. Accordingly, increases in interest rates could adversely affect our results of operations and financial conditions. At December 31, 2012, a hypothetical 100 basis point increase in interest rates across each of our variable interest rate instruments would increase our annual interest costs by approximately \$15.4 million and would increase our share of joint venture annual interest costs by approximately \$8.5 million. Accordingly, increases in interest rates could adversely affect our ability to continue to pay dividends to stockholders.

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

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

No limitation on debt could adversely affect our cash flow.

Our organizational documents do not contain any limitation on the amount of indebtedness we may incur. As of December 31, 2012, assuming the conversion of all outstanding units of the operating partnership into shares of our common stock, our combined debt-to-market capitalization ratio, including our share of joint venture debt of approximately \$2.1 billion, was approximately 53.1%. Our market capitalization is variable and does not necessarily reflect the fair market value of our assets at all times. We also consider factors other than market capitalization in making decisions regarding the incurrence of indebtedness, such as the purchase price of properties to be acquired with debt financing, the estimated market value of our properties upon refinancing and the ability of particular properties and our business as a whole to generate cash flow to cover expected debt service. Any changes that increase our debt to market capitalization percentage could be viewed negatively by investors. As a result, our stock price could decrease.

Debt and preferred equity investments could cause us to incur expenses, which could adversely affect our results of operations.

We owned first mortgages, mezzanine loans, junior participations and preferred equity interests in 22 investments with an aggregate net book value of approximately \$1.4 billion at December 31, 2012. Such investments may or may not be recourse obligations of the borrower and are not insured or guaranteed by governmental agencies or otherwise. In the event of a default under these obligations, we may have to take possession of the collateral securing these interests. Borrowers may contest enforcement of foreclosure or other remedies, seek bankruptcy protection against such enforcement and/or bring claims for lender liability in response

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to actions to enforce their obligations to us. Relatively high loan-to-value ratios and declines in the value of the property may prevent us from realizing an amount equal to our investment upon foreclosure or realization even if we make substantial improvements or repairs to the underlying real estate in order to maximize such property's investment potential.

We maintain and regularly evaluate financial reserves to protect against potential future losses. Our reserves reflect management's judgment of the probability and severity of losses and the value of the underlying collateral. We cannot be certain that our judgment will prove to be correct and that our reserves will be adequate over time to protect against future losses because of unanticipated adverse changes in the economy or events adversely affecting specific properties, assets, tenants, borrowers, industries in which our tenants and borrowers operate or markets in which our tenants and borrowers or their properties are located. We recorded approximately \$3.0 million in loan loss reserves and charge offs in 2012 on debt and preferred equity investments being held to maturity and \$2.4 million in recoveries of loans previously reserved. If our reserves for credit losses prove inadequate, we could suffer losses which would have a material adverse effect on our financial performance, the market prices of our securities and our ability to pay dividends to stockholders.

Special servicing activities could result in liability to us.

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

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

We co-invest with third parties through partnerships, joint ventures, co-tenancies or other structures, acquiring non-controlling interests in, or sharing responsibility for managing the affairs of, a property, partnership, joint venture, co-tenancy or other entity. Therefore, we will not be in a position to exercise sole decision-making authority regarding such property, partnership, joint venture or other entity. Investments in partnerships, joint ventures, or other entities may involve risks not present were a third party not involved, including the possibility that our partners, co-tenants or co-venturers might become bankrupt or otherwise fail to fund their share of required capital contributions. Additionally, our partners or co-venturers might at any time have economic or other business interests or goals, which are inconsistent with our business interests or goals. These investments may also have the potential risk of impasses on decisions such as a sale, because neither we, nor the partner, co-tenant or co-venturer would have full control over the partnership or joint venture. Consequently, actions by such partner, co-tenant or co-venturer might result in subjecting properties owned by the partnership or joint venture to additional risk. In addition, we may in specific circumstances be liable for the actions of our third-party partners, co-tenants or co-venturers. As of December 31, 2012, our unconsolidated joint ventures owned 56 properties and we had an aggregate cost basis in these joint ventures totaling approximately \$1.0 billion. As of December 31, 2012, our share of unconsolidated joint venture debt, which is non-recourse to us, totaled approximately \$1.9 billion. As of December 31, 2012, our share of unconsolidated joint venture debt, which is recourse to us, totaled approximately \$218.4 million.

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

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

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investment in the joint venture and on our financial condition and results of operations. We may also enter into similar arrangements in the future.

We may incur costs to comply with environmental laws.

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

We may incur significant costs complying with the Americans with Disabilities Act and other regulatory and legal requirements.

Our properties may be subject to risks relating to current or future laws including laws benefiting disabled persons, and other state or local zoning, construction or other regulations. These laws may require significant property modifications in the future, which could result in fines being levied against us in the future. The occurrence of any of these events could have an adverse impact on our cash flows and ability to pay dividends to stockholders.

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

Our charter documents, debt instruments and applicable law may hinder any attempt to acquire us, which could discourage takeover attempts and prevent our stockholders from receiving a premium over the market price of our stock.

Provisions of our articles of incorporation and bylaws could inhibit changes in control.

A change of control of our company could benefit stockholders by providing them with a premium over the then-prevailing market price of our stock. However, provisions contained in our articles of incorporation and bylaws may delay or prevent a change in control of our company. These provisions, discussed more fully below, are:

staggered board of directors;

ownership limitations; and

the board of director's ability to issue additional common stock and preferred stock without stockholder approval.

Our board of directors is staggered into three separate classes.

Our board of directors is divided into three classes. The terms of the class I, class II and class III directors expire in 2013, 2014 and 2015, respectively. Our staggered board may deter a change in control because of the increased time period necessary for a third party to acquire control of the board.

We have a stock ownership limit.

To remain qualified as a REIT for federal income tax purposes, not more than 50% in value of our outstanding capital stock may be owned by five or fewer individuals at any time during the last half of any taxable year. For this purpose, stock may be "owned" directly, as well as indirectly under certain constructive ownership rules, including, for example, rules that attribute stock held by one family member to another family member. In part to avoid violating this rule regarding stock ownership limitations and maintain our REIT qualification, our articles of incorporation prohibit ownership by any single stockholder of more than 9.0% in value or number of shares of our common stock. Limitations on the ownership of preferred stock may also be imposed by us.

Our board of directors has the discretion to raise or waive this limitation on ownership for any stockholder if deemed to be in our best interest. To obtain a waiver, a stockholder must present the board and our tax counsel with evidence that ownership in excess of this limit will not affect our present or future REIT status.

Absent any exemption or waiver, stock acquired or held in excess of the limit on ownership will be transferred to a trust for the exclusive benefit of a designated charitable beneficiary, and the stockholder's rights to distributions and to vote would terminate. The stockholder would be entitled to receive, from the proceeds of any subsequent sale of the shares transferred to the charitable trust, the lesser of: the price paid for the stock or, if the owner did not pay for the stock, the market price of the stock on the date of the event causing the stock to be transferred to the charitable trust; and the amount realized from the sale.

This limitation on ownership of stock could delay or prevent a change in control of our company.

Debt may not be assumable.

We had approximately \$6.5 billion in consolidated debt as of December 31, 2012. Certain of this debt is not assumable by a potential purchaser and may be subject to significant prepayment penalties.

Maryland takeover statutes may prevent a change of control of our company, which could depress our stock price.

Under Maryland law, "business combinations" between a Maryland corporation and an interested stockholder or an affiliate of an interested stockholder are prohibited for five years after the most recent date on which the interested stockholder becomes an interested stockholder. These business combinations include a merger, consolidation, stock exchange or, in circumstances specified in the statute, an asset transfer or issuance or reclassification of equity securities. An interested stockholder is defined as:

any person who beneficially owns 10% or more of the voting power of the corporation's outstanding shares; or

an affiliate or associate of the corporation who, at any time within the two-year period prior to the date in question, was the beneficial owner of 10% or more of the voting power of the then outstanding voting stock of the corporation.

A person is not an interested stockholder under the statute if the board of directors approves in advance the transaction by which he otherwise would have become an interested stockholder.

After the five-year prohibition, any business combination between the Maryland corporation and an interested stockholder generally must be recommended by the board of directors of the corporation and approved by the affirmative vote of at least:

80% of the votes entitled to be cast by holders of outstanding shares of voting stock of the corporation, voting together as a single group; and

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two-thirds of the votes entitled to be cast by holders of voting stock of the corporation other than shares held by the interested stockholder with whom or with whose affiliate the business combination is to be effected or held by an affiliate or associate of the interested stockholder.

The business combination statute may discourage others from trying to acquire control of us and increase the difficulty of consummating any offer, including potential acquisitions that might involve a premium price for our common stock or otherwise be in the best interest of our stockholders.

In addition, Maryland law provides that "control shares" of a Maryland corporation acquired in a "control share acquisition" will not have voting rights except to the extent approved by a vote of two-thirds of the votes entitled to be cast on the matter, excluding shares of stock owned by the acquiror, by officers of the corporation or by directors who are employees of the corporation, under the Maryland Control Share Acquisition Act. "Control shares" means voting shares of stock that, if aggregated with all other shares of stock owned by the acquiror or in respect of which the acquiror is able to exercise or direct the exercise of voting power (except solely by virtue of a revocable proxy), would entitle the acquiror to exercise voting power in electing directors within one of the following ranges of voting power: (i) one-tenth or more but less than one-third; (ii) one-third or more but less than a majority; or (iii) a majority or more of all voting power. A "control share acquisition" means the acquisition of ownership of, or the power to direct the exercise of voting power with respect to, issued and outstanding control shares, subject to certain exceptions.

We have opted out of these provisions of the Maryland General Corporation Law, or the MGCL, with respect to business combinations and control share acquisitions by resolution of our board of directors and a provision in our bylaws, respectively. However, in the future, our board of directors may reverse its decision by resolution and elect to opt in to the MGCL's business combination provisions, or amend our bylaws and elect to opt in to the MGCL's control share provisions.

Additionally, the MGCL permits our board of directors, without stockholder approval and regardless of what is provided in our charter or bylaws, to implement takeover defenses, some of which we do not have. Such takeover defenses, if implemented, may have the effect of inhibiting a third party from making us an acquisition proposal or of delaying, deferring or preventing a change in our control under circumstances that otherwise could provide our stockholders with an opportunity to realize a premium over the then-current market price.

Future issuances of common stock, preferred stock and convertible debt could dilute existing stockholders' interests.

Our articles of incorporation authorize our board of directors to issue additional shares of common stock, preferred stock and convertible equity or debt without stockholder approval. Any such issuance could dilute our existing stockholders' interests. Also, any future series of preferred stock may have voting provisions that could delay or prevent a change of control of our company.

Changes in market conditions could adversely affect the market price of our common stock.

As with other publicly traded equity securities, the value of our common stock depends on various market conditions, which may change from time to time. In addition to the current economic environment and continued volatility in the securities and credit markets, the following market conditions may affect the value of our common stock:

the general reputation of REITs and the attractiveness of our equity securities in comparison to other equity securities, including securities issued by other real estate-based companies;

our financial performance; and

general stock and bond market conditions.

The market value of our common stock is based primarily upon the market's perception of our growth potential and our current and potential future earnings and cash dividends. Consequently, our common stock may

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trade at prices that are higher or lower than our net asset value per share of common stock. If our future earnings or cash dividends are less than expected, the market price of our common stock could diminish.

The trading price of our common stock has been and may continue to be subject to wide fluctuations.

Between January 1, 2012 and December 31, 2012, the closing sale price of our common stock on the New York Stock Exchange, or the NYSE, ranged from \$68.16 to \$85.14 per share. Our stock price may fluctuate in response to a number of events and factors, such as those described elsewhere in this "Risk Factors" section. Additionally, the amount of our leverage may hinder the demand for our common stock, which could have a material adverse effect on the market price of our common stock.

Market interest rates may have an effect on the value of our common stock.

If market interest rates go up, prospective purchasers of shares of our common stock may expect a higher distribution rate on our common stock. Higher market interest rates would not, however, result in more funds for us to distribute and, to the contrary, would likely increase our borrowing costs and potentially decrease funds available for distribution. Thus, higher market interest rates could cause the market price of our common stock to go down.

Limitations on our ability to sell or reduce the indebtedness on specific mortgaged properties could adversely affect the value of our common stock.

We acquired the property located at 609 Fifth Avenue, New York, New York in June 2006 and have agreed not to take certain action before January 2014 that would adversely affect the tax positions of certain of the partners who held interests in this property prior to the acquisition.

We acquired the properties located at 752 Madison Avenue, 762 Madison Avenue and 400 East 58th Street New York, New York in January 2012 and have agreed not to take certain action before January 2019 that would adversely affect the tax positions of certain of the partners who held interests in these properties prior to the acquisition.

In connection with future acquisitions of interests in properties, we may agree to restrictions on our ability to sell or refinance the acquired properties. These limitations could have adverse consequences on our business and result in a material adverse effect on our financial condition and results of operations.

We face potential conflicts of interest.

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

There is a potential conflict of interest relating to the disposition of certain property contributed to us by Stephen L. Green, and his family in our initial public offering. Mr. Green serves as the chairman of our board of directors and is an executive officer. As part of our formation, Mr. Green contributed appreciated property, with a net book value of \$73.5 million, to the Operating Partnership in exchange for units of limited partnership interest in the Operating Partnership. He did not recognize any taxable gain as a result of the contribution. The Operating Partnership, however, took a tax basis in the contributed property equal to that of the contributing unitholder. The fair market value of the property contributed by him at our formation exceeded his tax basis. The difference between fair market value and tax basis at the time of contribution represents a built-in gain which totaled \$5.1 million at December 31, 2012. If we sell a property in a transaction in which a taxable gain is recognized, for tax purposes the built-in gain would be allocated solely to him and not to us. As a result, Mr. Green has a conflict of interest if the sale of a property, he contributed, is in our best interest but not his.

There is a potential conflict of interest relating to the refinancing of indebtedness specifically allocated to Mr. Green. Mr. Green would recognize gain if he were to receive a distribution of cash from the Operating Partnership in an amount that exceeds his tax basis in his partnership units. His tax basis includes his share of debt, including mortgage indebtedness, owed by the Operating Partnership. If the Operating Partnership were to

retire such debt, then he would experience a decrease in his share of liabilities, which, for tax purposes, would be treated as a distribution of cash to him. To the extent the deemed distribution of cash exceeded his tax basis, he would recognize gain.

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

Through Alliance Building Services, or Alliance, First Quality Maintenance, L.P., or First Quality, provides cleaning, extermination and related services, Classic Security LLC provides security services, Bright Star Couriers LLC provides messenger services, and Onyx Restoration Works provides restoration services with respect to certain properties owned by us. Alliance is partially owned by Gary Green, a son of Stephen L. Green, the chairman of our board of directors. In addition, First Quality has the non-exclusive opportunity to provide cleaning and related services to individual tenants at our properties on a basis separately negotiated with any tenant seeking such additional services. Our company and our tenants accounted for approximately 28.7% of Alliance's 2012 estimated total revenue. The contracts pursuant to which these services are provided are not the result of arm's length negotiations and, therefore, there can be no assurance that the terms and conditions are not less favorable than those which could be obtained from third parties providing comparable services. In addition, to the extent that we choose to enforce our rights under any of these agreements, we may determine to pursue available remedies, such as actions for damages or injunctive relief, less vigorously than we otherwise might because of our desire to maintain our ongoing relationship with Gary Green.

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

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

Our failure to qualify as a REIT would be costly.

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

If we fail to qualify as a REIT, we would be subject to federal income tax at regular corporate rates. Also, unless the IRS grants us relief under specific statutory provisions, we would remain disqualified as a REIT for

four years following the year in which we first failed to qualify. If we failed to qualify as a REIT, we would have to pay significant income taxes and would therefore have less money available for investments or to pay dividends to stockholders. This would likely have a significant adverse effect on the value of our securities. In addition, the REIT tax laws would no longer require us to make any distributions to stockholders.

We may change the dividend policy for our common stock in the future.

Recent Internal Revenue Service revenue procedures allowed us to satisfy the REIT income distribution requirements with respect to our 2008 through 2011 taxable years by distributing up to 90% of any of our dividend distributions for any such year in shares of our common stock in lieu of paying the dividend entirely in cash, so long as we followed a process allowing our stockholders to elect cash or stock subject to a cap that we would impose on the maximum amount of cash that would be paid. We did not utilize this procedure for 2008, 2009, 2010 or 2011 and the Internal Revenue Service has not renewed the procedure for later years. However, we obtained a favorable ruling from the IRS pursuant to which we may pay distributions partly in cash and partly in shares of our common stock with respect to 2012 and 2013, so long as we follow procedures set forth in the ruling. We paid all our 2012 dividends entirely in the form of cash. However, we may pay a portion of 2013 dividends on our common stock with shares of our common stock. If we pay such a dividend, taxable U.S. stockholders would be required to pay tax on the entire amount of the dividend, including the portion paid with shares of common stock, in which case such stockholders might have to pay the tax using cash from other sources. If a U.S. stockholder sells the stock it receives as a dividend in order to pay this tax, the sales proceeds may be less than the amount included in income with respect to the dividend, depending on the market price of our stock at the time of the sale. Furthermore, with respect to non-U.S. stockholders, we may be required to withhold U.S. tax with respect to such dividend, including in respect of all or a portion of such dividend that is payable in stock. In addition, if a significant number of our stockholders sell shares of our common stock in order to pay taxes owed on dividends, such sales could put downward pressure on the market price of our common stock. Our board of directors will continue to evaluate our dividend policy on a quarterly basis as it monitors the capital markets and the impact of the economy on our operations. The decision to authorize and pay dividends on our common stock in the future, as well as the timing, amount and composition of any such future dividends, will be at the sole discretion of our board of directors in light of conditions then existing, including the Company's earnings, financial condition, capital requirements, debt maturities, the availability of capital, applicable REIT and legal restrictions and general overall economic conditions and other factors.

We are dependent on external sources of capital.

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

We face significant competition for tenants.

The leasing of real estate is highly competitive. The principal means of competition are rent, location, services provided and the nature and condition of the facility to be leased. We directly compete with all owners and developers of similar space in the areas in which our properties are located.

Our commercial office properties are concentrated in highly developed areas of midtown Manhattan and certain Suburban central business districts, or CBDs. Manhattan is the largest office market in the United States. The number of competitive office properties in Manhattan and CBDs in which our Suburban properties are

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located (which may be newer or better located than our properties) could have a material adverse effect on our ability to lease office space at our properties, and on the effective rents we are able to charge.

Loss of our key personnel could harm our operations.

We are dependent on the efforts of Marc Holliday, our chief executive officer, and Andrew Mathias, our president. These officers have employment agreements which expire in January 2014 and December 2013, respectively. A loss of the services of either of these individuals could adversely affect our operations.

Our business and operations would suffer in the event of system failures or cyber security attacks.

Despite system redundancy, the implementation of security measures and the existence of a Disaster Recovery Plan for our internal information technology systems, our systems are vulnerable to damages from any number of sources, including energy blackouts, natural disasters, terrorism, war, telecommunication failures and cyber security attacks, such as computer viruses or unauthorized access. Any system failure or accident that causes interruptions in our operations could result in a material disruption to our business. We may also incur additional costs to remedy damages caused by such disruptions. Any compromise of our security could also result in a violation of applicable privacy and other laws, significant legal and financial exposure, damage to our reputation, loss or misuse of the information and a loss of confidence in our security measures, which could harm our business.

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

Changing or new laws, regulations and standards relating to corporate governance and public disclosure, including SEC regulations and NYSE rules, can create uncertainty for public companies. These changed or new laws, regulations and standards are subject to varying interpretations in many cases due to their lack of specificity. As a result, their application in practice may evolve over time as new guidance is provided by regulatory and governing bodies, which could result in continuing uncertainty regarding compliance matters and higher costs necessitated by ongoing revisions to disclosure and governance practices. We are committed to maintaining high standards of corporate governance and public disclosure. If our efforts to comply with new or changed laws, regulations and standards differ from the activities intended by regulatory or governing bodies due to ambiguities related to practice, our reputation may be harmed.

As a result, our efforts to comply with evolving laws, regulations and standards have resulted in, and are likely to continue to result in, increased general and administrative expenses and a diversion of management time and attention from revenue-generating activities to compliance activities. In particular, our efforts to comply with Section 404 of the Sarbanes-Oxley Act of 2002 and the related regulations regarding our required assessment of our internal controls over financial reporting and our external auditors' audit of that assessment have required the commitment of significant financial and managerial resources. We expect these efforts to require the continued commitment of significant resources. Further, our directors, chief executive officer and chief financial officer could face an increased risk of personal liability in connection with the performance of their duties. As a result, we may have difficulty attracting and retaining qualified directors and executive officers, which could harm our business.

Forward-Looking Statements May Prove Inaccurate

See Item 7 "Management's Discussion and Analysis of Financial Condition and Results of Operations Forward-looking Information" for additional disclosure regarding forward-looking statements.

ITEM 1B. UNRESOLVED STAFF COMMENTS

As of December 31, 2012, we did not have any unresolved comments with the staff of the SEC.

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ITEM 2. PROPERTIES

Our Portfolio

General

As of December 31, 2012, we owned or held interests in 27 consolidated and nine unconsolidated commercial office properties encompassing approximately 18.3 million rentable square feet and approximately 5.9 million rentable square feet, respectively, for a total of 24.2 million square feet located primarily in midtown Manhattan. Certain of these properties include at least a small amount of retail space on the lower floors, as well as basement/storage space. As of December 31, 2012, our portfolio also included ownership interests in 25 consolidated and five unconsolidated commercial office properties located in Brooklyn, Long Island, Westchester County, Connecticut and Northern New Jersey encompassing approximately 3.9 million rentable square feet and approximately 1.5 million rentable square feet, respectively. We refer to these properties as our Suburban assets.

As of December 31, 2012, we also owned investments in 15 stand-alone retail properties encompassing approximately 473,764 square feet, 16 development properties encompassing approximately 2,617,491 square feet, two residential properties encompassing 385 units (approximately 430,482 square feet), two land interests and 31 west coast office properties encompassing approximately 4,473,603 square feet. In addition, we manage two office properties owned by third parties and affiliated companies encompassing approximately 626,415 rentable square feet. As of December 31, 2012, we also held debt and preferred equity investments with a book value of \$1.4 billion.

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The following table sets forth certain information with respect to each of the Manhattan and Suburban office and retail properties in the portfolio as of December 31, 2012:

Manhattan Properties	Year Built/ Renovated	SubMarket	Percentage of Portfolio			Annualized Cash Rent (\$'s) ⁽¹⁾	Percentage of Portfolio		Annualized Cash Rent per Foot (\$) ⁽³⁾	Cash Rent per Leased Square Foot (\$) ⁽⁴⁾
			Approximate Rentable Square Feet	Rentable Square Feet (%)	Percent Leased (%)		Annualized Cash Rent (\$'s) ⁽¹⁾	Number of Tenants		
CONSOLIDATED PROPERTIES										
"Same Store"										
100 Church Street	1959/2010	Downtown	1,047,500	4	81.8	32,332,824	3	15	38.23	34.45
120 West 45th Street	1998	Midtown	440,000	1	79.5	20,570,712	2	22	58.78	59.03
125 Park Avenue	1923/2006	Grand Central	604,245	2	73.1	27,111,432	2	18	61.77	58.77
220 East 42nd Street	1929	Grand Central	1,135,000	4	94.9	47,830,560	4	31	43.70	36.87
317 Madison Avenue	1920/2004	Grand Central	450,000	2	81.3	20,475,852	2	72	50.77	41.94
333 West 34th Street	1954/2000	Penn Station	345,400	1	100.0	14,551,572	1	3	43.07	35.77
420 Lexington Ave (Graybar) ⁽⁵⁾	1927/1999	Grand Central North	1,188,000	4	92.5	65,446,140	6	226	49.83	38.44
461 Fifth Avenue ⁽⁵⁾⁽⁶⁾	1988	Midtown Grand Central	200,000	1	99.4	15,953,568	1	14	77.86	65.46
485 Lexington Avenue	1956/2006	North	921,000	3	100.0	53,699,208	5	24	58.13	44.18
555 West 57th Street ⁽⁶⁾	1971	Midtown West Rockefeller	941,000	3	99.2	33,682,356	3	11	33.97	31.47
609 Fifth Avenue	1925/1990	Center	160,000	1	85.2	13,487,388	1	9	101.57	90.93
625 Madison Avenue ⁽⁵⁾	1956/2002	Plaza District Grand Central	563,000	2	94.5	47,929,236	4	23	88.34	70.60
673 First Avenue ⁽⁵⁾⁽⁶⁾	1928/1990	South Grand Central	422,000	1	100.0	20,578,332	2	8	45.93	38.84
711 Third Avenue ⁽⁵⁾⁽⁶⁾⁽⁷⁾	1955	North Grand Central	524,000	2	86.3	25,843,632	2	16	52.65	46.21
750 Third Avenue	1958/2006	North	780,000	3	97.5	41,119,548	4	31	52.98	46.84
810 Seventh Avenue	1970	Times Square Grand Central	692,000	2	87.6	37,771,128	3	39	59.63	51.30
919 Third Avenue	1970	North	1,454,000	5	96.9	86,011,788	4	13	61.01	46.35
1185 Avenue of the Americas ⁽⁵⁾	1969	Rockefeller Center	1,062,000	4	97.6	76,003,644	7	19	72.33	64.00
1350 Avenue of the Americas	1966	Rockefeller Center	562,000	2	97.0	36,075,624	3	38	63.64	53.25
1 Madison Avenue	1960/2002	Park Avenue South	1,176,900	4	98.7	67,030,020	6	2	57.26	56.94
331 Madison Avenue	1923	Grand Central	114,900	0	84.2	4,238,796	0	16	44.00	43.44
Subtotal / Weighted Average			14,782,945	50	93.0	787,743,360	65	650		
"Non Same Store"										
51 East 42nd Street	1913	Grand Central	142,000	0	85.9	6,660,564	1	88	54.60	54.85
110 East 42nd Street	1921	Grand Central	205,000	1	81.6	8,102,136	1	20	48.34	40.88
180 Maiden Lane	1984	Financial East	1,090,000	4	97.7	52,681,692	2	5	50.19	46.35
304 Park Avenue South	1930	Midtown South	215,000	1	95.8	10,433,676	1	17	53.80	53.44
641 Sixth Avenue	1902	Midtown South	163,000	1	92.1	7,878,132	1	8	52.48	49.66
1515 Broadway	1972	Times Square	1,750,000	6	100.0	109,293,600	10	13	63.54	55.21
Subtotal / Weighted Average			3,565,000	12	97.0	195,049,800	15	151		
Total / Weighted Average Manhattan Consolidated Properties⁽⁸⁾			18,347,945	62	93.8	982,793,160	79	801		
UNCONSOLIDATED PROPERTIES										
"Same Store"										

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			Grand Central								
100 Park Avenue 50%	1950/1980		South	834,000	3	94.5	51,892,020	2	36	61.41	52.60
388 & 390 Greenwich Street 50.6% ⁽²⁾	1986/1990		Downtown	2,635,000	9	100.0	107,986,128	5	1	40.99	40.98
600 Lexington Avenue 55%	1983/2009		Eastside	303,515	1	73.7	15,980,040	1	26	74.28	51.90
			Grand Central								
800 Third Avenue 42.95%	1972/2006		North	526,000	2	87.1	26,362,608	1	35	54.64	47.26
1745 Broadway 32.3%	2003		Midtown	674,000	2	100.0	35,307,396	1	1	54.77	54.72
Subtotal / Weighted Average				4,972,515	17	96.1	237,528,192	10	99		
"Non Same Store"											
10 East 53rd Street 55%	1972			354,300	1	90.0	18,725,484	1	17	60.25	60.22
315 West 36th Street 35.5%	1926			147,619	0	99.2	3,763,464	0	6	27.25	27.25
521 Fifth Avenue 50.5%	1929/2000		Grand Central	460,000	2	85.2	22,424,688	1	41	54.80	54.96
Subtotal / Weighted Average				961,919	3	89.1	44,913,636	2	64		
Total / Weighted Average Unconsolidated Properties⁽⁹⁾				5,934,434	20	95.0	282,441,828	12	163		
Manhattan Grand Total / Weighted Average				24,282,379	82	94.1	1,265,234,988		964		
Manhattan Grand Total SLG share of Annualized Rent							1,049,312,825		91		
Manhattan Same Store Occupancy % Combined				19,755,460	81	93.8					

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	Year Built/ Renovated	SubMarket	Percentage of Portfolio			Annualized Cash Rent (\$'s) ⁽¹⁾	Percentage of Portfolio		Annualized Cash Rent per Square Foot (\$) ⁽³⁾	Annualized Effective Cash Rent per Square Foot (\$) ⁽⁴⁾
			Approximate Rentable Square Feet	Rentable Square Feet (%)	Leased Percent (%)		Cash Rent of Tenants	Number of Tenants		
Suburban Properties										
CONSOLIDATED										
PROPERTIES										
"Same Store" Westchester, NY										
1100 King Street	1983-1986	Rye Brook, Westchester	540,000	2	65.9	10,433,580	1	23	28.86	24.20
520 White Plains Road	1979	Tarrytown, Westchester	180,000	1	72.5	3,671,304	0	8	28.93	22.12
115-117 Stevens Avenue	1984	Valhalla, Westchester	178,000	1	86.0	2,577,300	0	11	22.88	17.54
100 Summit Lake Drive	1988	Valhalla, Westchester	250,000	1	70.7	4,065,456	0	10	23.00	18.74
200 Summit Lake Drive	1990	Valhalla, Westchester	245,000	1	87.5	5,218,368	0	7	24.81	22.21
500 Summit Lake Drive	1986	White Plains, Westchester	228,000	1	76.9	3,982,824	1	6	24.62	21.75
140 Grand Street	1991	White Plains, Westchester	130,100	0	95.3	4,112,952	0	12	36.74	23.29
360 Hamilton Avenue	2000	Westchester	384,000	1	94.3	13,288,356	1	16	36.72	29.73
Westchester, NY Subtotal/Weighted Average			2,135,100	8	79.2	47,350,140	5	93		
"Same Store" Connecticut										
Landmark Square	1973-1984	Stamford, Connecticut	826,000	3	83.8	19,364,928	2	106	32.68	26.80
680 Washington Boulevard	1989	Stamford, Connecticut	133,000	0	74.6	4,083,912	0	7	41.67	35.86
750 Washington Boulevard	1989	Stamford, Connecticut	192,000	1	93.6	7,332,120	0	9	41.61	32.94
1055 Washington Boulevard ⁽⁵⁾	1987	Stamford, Connecticut	182,000	1	86.0	5,680,620	0	21	35.60	29.76
300 Main Street	2002	Stamford, Connecticut	130,000	0	86.4	1,503,192	0	20	14.09	12.42
1010 Washington Boulevard	1988	Stamford, Connecticut	143,400	0	60.9	2,801,568	0	17	34.34	25.34
500 West Putnam Avenue	1973	Greenwich, Connecticut	121,500	0	55.1	2,920,224	0	10	43.49	38.17
Connecticut Subtotal/Weighted Average			1,727,900	5	80.7	43,686,564	3	190		
Total / Weighted Average Consolidated Properties⁽¹⁰⁾			3,863,000	13	79.9	91,036,704	8	283		
UNCONSOLIDATED										
PROPERTIES										
"Same Store"										
The Meadows 50%	1981	Rutherford, New Jersey	582,100	2	79.7	12,653,352	1	51	28.51	25.19
16 Court Street 35%	1928	Brooklyn, NY Jericho, New York	317,600	1	84.0	9,626,952	0	66	39.07	34.86
Jericho Plaza 20.26%	1980	York	640,000	2	89.6	20,197,140	0	35	36.18	31.88
Total / Weighted Average Unconsolidated Properties⁽¹¹⁾			1,539,700	5	84.7	42,477,444	1	152		

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Suburban Grand Total / Weighted Average	5,402,700	18	81.3	133,514,148	435
Suburban Grand Total SLG share of Annualized Rent				99,230,898	9
Suburban Same Store Occupancy % Combined	5,402,700	100	81.3		
Portfolio Grand Total	29,685,079	100		1,398,749,136	
Portfolio Grand Total SLG Share of Annualized Rent				1,148,543,723	100

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			Percentage of Portfolio			Percentage of Portfolio			Annualized Net		
			Approximate Rentable Square Feet	Rentable Square Feet (%)	Percent Leased (%)	Annualized Cash Rent (\$'s) ⁽¹⁾	Annualized Cash Rent (%) ⁽²⁾	Number of Tenants	Annualized Cash Rent per Square Foot Leased (\$) ⁽³⁾	Effective Cash Rent per Square Foot Leased (\$) ⁽⁴⁾	
Year Built/ Renovated		SubMarket									
RETAIL											
"Same Store" Retail											
1604 Broadway	63%	1912/2001	Times Square Herald Square/Penn Station	29,876	6	23.7	2,001,902	4	2	212.55	190.55
11 West 34th Street	30%	1920/2010	Herald Square/Penn Station	17,150	4	100.0	2,231,736	2	1	200.16	191.90
21-25 West 34th Street	50%	2009	Herald Square/Penn Station	30,100	6	100.0	7,866,780	13	1	391.36	342.19
27-29 West 34th Street	50%	2009	Herald Square/Penn Station	15,600	3	100.0	4,636,224	8	2	296.95	289.54
717 Fifth Avenue	10.92%	1958/2000	Midtown/Plaza District	119,550	25	89.4	34,271,976	12	7	309.02	279.77
Williamsburg Terrace		2010	Brooklyn, NY	52,000	11	100.0	1,552,560	5	3	29.84	32.21
Subtotal/Weighted Average				264,276	56	86.6	52,561,178	44	16		
"Non Same Store" Retail											
19-21 East 65th Street	80%	1928-1940	Plaza District	23,610	5	100.0	1,460,108	4	7	109.34	109.34
21 East 66th Street	32.28%	1921	Plaza District	16,736	4	100.0	3,282,000	3	1	251.13	251.13
44 West 55th Street	80%	1920	Plaza District	8,557	2	18.8	160,680	0	1	99.93	99.93
131-137 Spring Street		1891	Soho	68,342	14	100.0	5,002,596	16	12	73.20	73.20
724 Fifth Avenue	50%	1921	Plaza District	65,010	14	84.7	12,279,960	20	8	220.23	220.23
752 Madison Avenue	80%	1996/2012	Plaza District	21,124	4	100.0	3,189,324	8	1	150.98	150.98
762 Madison Avenue	80%	1910	Plaza District	6,109	1	100.0	1,296,192	3	5	212.18	212.18
Subtotal/Weighted Average				209,488	44	91.9	26,670,860	56	35		
Total / Weighted Average Retail Properties				473,764	100	89.0	79,232,038	100	51		
DEVELOPMENT											
125 Chubb Way		2008	Lyndhurst, NJ	278,000	11	57.1	3,562,656	8	4	22.50	17.89
150 Grand Street		1962/2001	White Plains, NY	85,000	3	33.0	674,868	1	16	21.87	16.39
7 Renaissance Square	50%	2008	White Plains, NY	65,641	3	29.2	617,004	1	2	31.64	30.13
180-182 Broadway	25.5%	1902/2011	Cast Iron / Soho	156,086	6						
33 Beekman Street	45.9%	2008	Downtown Stamford, Connecticut								
7 Landmark Square		2000	Connecticut	36,800	1	10.8	313,536	1	1	78.78	77.42
3 Columbus Circle	48.9%	1927/2010	Columbus Circle	530,981	20	51.6	23,437,454	25	18	85.37	72.00
280 Park Avenue	49.5%	1961	Park Avenue	1,219,158	47	55.0	59,163,552	64	30	85.10	83.89
635 Sixth Avenue		1902	Midtown South	104,000	4						
747 Madison Avenue	33.33%	1962	Plaza District	10,000	0						
985-987 Third Avenue		1900/1972	Upper East Side	13,678	1						
1080 Amsterdam	87.5%	1932	Upper West Side	82,250	3	2.2	146,475	0	1	81.38	81.38
1552-1560 Broadway	50%	1926	Times Square	35,897	1	23.3			1		
Total / Weighted Average Development Properties				2,617,491	100	44.5	87,915,545	100	73		
LAND											
2 Herald Square			Herald Square/Penn Station	354,400	37	100.0	11,250,000	42		25.40	25.40
885 Third Avenue			Midtown/Plaza District	607,000	63	100.0	15,850,000	58		18.28	18.28

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Total / Weighted Average Land **961,400** **100** **100.0** **27,100,000** **100**

West Coast

West Coast Office
Portfolio 27.63% various 4,473,603 100 76.9 94,707,029 100

Total / Weighted Average California Properties **4,473,603** **100** **76.9** **94,707,029** **100**

					Useable Sq. Feet	Total Units	Percent Leased (%)	Annualized Cash Rent (\$'s) ⁽¹⁾	Average Monthly Rent Per Unit (\$'s)
RESIDENTIAL									
400 East 57th Street	80%	1931	Upper East Side		290,482	260	91.9	9,411,103	2,715
400 East 58th Street	80%	1929	Upper East Side		140,000	125	97.6	4,623,280	2,883
Total / Weighted Average Residential Properties					430,482	385	93.8	14,034,383	2,770

- (1) Annualized Cash Rent represents the monthly contractual rent under existing leases as of December 31, 2012 multiplied by 12. This amount reflects total rent before any rent abatements and includes expense reimbursements, which may be estimated as of such date. Total rent abatements for leases in effect as of December 31, 2012 for the 12 months ending December 31, 2013 are reductions of approximately \$8.7 million for our consolidated properties and approximately \$13.4 million for our unconsolidated properties.
- (2) Includes our share of unconsolidated joint venture annualized cash rent calculated on a consistent basis.
- (3) Annualized Rent Per Leased Square Foot represents Annualized Rent, as described in footnote (1) above, presented on a per leased square foot basis.
- (4) Annual Net Effective Cash Rent Per Leased Square Foot represents (a) for leases in effect at the time an interest in the relevant property was first acquired by us, the remaining lease payments under the lease from the acquisition date divided by the number of months remaining under the lease multiplied by 12 and (b) for leases entered into after an interest in the relevant property was first acquired by us, all lease payments under the lease divided by the number of months in the lease multiplied by 12, minus, in the case of both (a) and (b), tenant improvement costs and leasing commissions, if any, paid or payable by us and presented on a per leased square foot basis. Annual Net Effective Cash Rent per Leased Square Foot includes future contractual increases in rental payments and therefore, in certain cases, may exceed Annualized Cash Rent per Leased Square Foot.
- (5) We hold a leasehold interest in this property.
- (6) Includes a parking garage.
- (7) We hold a leasehold mortgage interest, a net sub-leasehold interest and a co-tenancy interest in this property.
- (8) Includes approximately 16.8 million square feet of rentable office space, 1.2 million square feet of rentable retail space and 0.4 million square feet of garage space.
- (9) Includes approximately 5.8 million square feet of rentable office space, 0.2 million square feet of rentable retail space and no garage space.
- (10) Includes approximately 3.6 million square feet of rentable office space and 0.2 million square feet of rentable retail space.
- (11) Includes approximately 1.5 million square feet of rentable office space and 0.1 million square feet of rentable retail space.
- (12) The rent per square foot is presented on a triple-net basis.

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Historical Occupancy

We have historically achieved consistently higher occupancy rates in our Manhattan portfolio in comparison to the overall midtown markets, as shown over the last five years in the following table:

	Percent of Manhattan Portfolio Leased⁽¹⁾	Occupancy Rate of Class A Office Properties in the midtown Markets⁽²⁾⁽³⁾	Occupancy Rate of Class B Office Properties in the midtown Markets⁽²⁾⁽³⁾
December 31, 2012	94.1%	89.1%	90.0%
December 31, 2011	92.5%	89.7%	91.3%
December 31, 2010	92.9%	88.6%	90.9%
December 31, 2009	95.0%	86.8%	90.3%
December 31, 2008	96.7%	90.8%	92.1%

(1) Includes space for leases that were executed as of the relevant date in our wholly-owned and joint venture properties in Manhattan owned by us as of that date.

(2) Includes vacant space available for direct lease and sublease. Source: Cushman & Wakefield.

(3) The term "Class B" is generally used in the Manhattan office market to describe office properties that are more than 25 years old but that are in good physical condition, enjoy widespread acceptance by high-quality tenants and are situated in desirable locations in Manhattan. Class B office properties can be distinguished from Class A properties in that Class A properties are generally newer properties with higher finishes and frequently obtain the highest rental rates within their markets.

We have historically achieved consistently higher occupancy rates in our Westchester County and Connecticut portfolios in comparison to the overall Westchester County and Stamford, Connecticut, CBD markets, as shown over the last five years in the following table:

	Percent of Westchester Portfolio Leased⁽¹⁾	Occupancy Rate of Class A Office Properties in the Westchester Market⁽²⁾	Percent of Connecticut Portfolio Leased⁽¹⁾	Occupancy Rate of Class A Office Properties in the Stamford CBD Market⁽²⁾
December 31, 2012	79.2%	78.5%	80.7%	73.7%
December 31, 2011	80.6%	80.1%	80.3%	73.8%
December 31, 2010	80.0%	80.3%	84.3%	77.6%
December 31, 2009	86.5%	80.3%	82.7%	77.5%
December 31, 2008	88.9%	81.7%	84.9%	84.5%

(1) Includes space for leases that were executed as of the relevant date in our wholly-owned and joint venture properties in Manhattan owned by us as of that date.

(2) Includes vacant space available for direct lease and sublease. Source: Cushman & Wakefield.

Lease Expirations

Leases in our Manhattan portfolio, as at many other Manhattan office properties, typically have an initial term of seven to fifteen years, compared to typical lease terms of five to ten years in other large U.S. office markets. For the five years ending December 31, 2017, the average annual rollover at our Manhattan consolidated and unconsolidated office properties is expected to be approximately 1.3 million square feet and 0.2 million square feet, respectively, representing an average annual expiration rate of 7.5% and 3.9%, respectively, per year (assuming no tenants exercise renewal or cancellation options and there are no tenant bankruptcies or other tenant defaults).

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The following tables set forth a schedule of the annual lease expirations at our Manhattan consolidated and unconsolidated office properties, respectively, with respect to leases in place as of December 31, 2012 for each of

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the next ten years and thereafter (assuming that no tenants exercise renewal or cancellation options and that there are no tenant bankruptcies or other tenant defaults):

Manhattan Consolidated Office Properties Year of Lease Expiration	Number of Expiring Leases	Square Footage of Expiring Leases	Percentage of Total Leased Square Feet (%)	Annualized Cash Rent of Expiring Leases ⁽¹⁾	Annualized Cash Rent Per Leased Square Foot of Expiring Leases ⁽²⁾
2013 ⁽³⁾	145	1,041,042	5.91%	\$ 64,940,535	\$ 62.38
2014	122	1,725,995	9.79	95,047,120	55.07
2015	133	802,686	4.55	40,648,976	50.64
2016	89	1,198,931	6.80	67,584,297	56.37
2017	110	1,847,086	10.48	101,676,686	55.05
2018	36	651,362	3.70	48,309,139	74.17
2019	25	741,129	4.20	44,891,190	60.57
2020	39	2,235,931	12.69	129,560,220	57.94
2021	42	2,225,315	12.63	116,256,979	52.24
2022 & thereafter	87	5,156,222	29.25	273,878,018	53.12
Total/weighted average	828	17,625,699	100.00%	\$ 982,793,160	\$ 55.76

(1) Annualized Cash Rent of Expiring Leases represents the monthly contractual rent under existing leases as of December 31, 2012 multiplied by 12. This amount reflects total rent before any rent abatements and includes expense reimbursements, which may be estimated as of such date. Total rent abatements for leases in effect as of December 31, 2012 for the 12 months ending December 31, 2013, are reductions of approximately \$6.0 million for the properties.

(2) Annualized Cash Rent Per Leased Square Foot of Expiring Leases represents Annualized Cash Rent of Expiring Leases, as described in footnote (1) above, presented on a per leased square foot basis.

(3) Includes 73,538 square feet occupied by month-to-month holdover tenants whose leases expired prior to December 31, 2012.

Manhattan Unconsolidated Office Properties Year of Lease Expiration	Number of Expiring Leases	Square Footage of Expiring Leases	Percentage of Total Leased Square Feet (%)	Annualized Cash Rent of Expiring Leases ⁽¹⁾	Annualized Cash Rent Per Leased Square Foot of Expiring Leases ⁽²⁾
2013	12	85,544	1.51%	\$ 4,488,852	\$ 52.47
2014	27	439,838	7.74	22,881,600	52.02
2015	84	225,839	3.98	12,396,288	54.89
2016	21	192,438	3.39	10,683,420	55.52
2017	14	171,220	3.01	10,476,432	61.19
2018	21	473,771	8.34	29,029,765	61.27
2019	5	144,238	2.54	10,100,352	70.03
2020	11	235,433	4.14	11,404,693	48.44
2021	7	127,019	2.24	5,786,256	45.55
2022 & thereafter	26	949,965	16.72	57,208,042	60.22
Sub-Total/weighted average	228	3,045,305	53.61	174,455,700	\$ 57.29
	2 ⁽³⁾	2,634,670	46.39	107,986,128	

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Total	230	5,679,975	100.00%	\$ 282,441,828
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(1)

Annualized Cash Rent of Expiring Leases represents the monthly contractual rent under existing leases as of December 31, 2012 multiplied by 12. This amount reflects total rent before any rent abatements and includes expense reimbursements, which may be estimated as of such date. Total rent abatements for leases in effect as of December 31, 2012 for the 12 months ending December 31, 2013 are reductions of approximately \$7.4 million for the joint venture properties.

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(2) Annualized Cash Rent Per Leased Square Foot of Expiring Leases represents Annualized Cash Rent of Expiring Leases, as described in footnote (1) above, presented on a per leased square foot basis.

(3) Represents Citigroup's 13-year net lease at 388-390 Greenwich Street. The current net rent is \$40.99 per square foot with annual CPI escalation.

Leases in our Suburban portfolio, as at many other suburban office properties, typically have an initial term of five to ten years. For the five years ending December 31, 2017, the average annual rollover at our Suburban consolidated and unconsolidated office properties is expected to be approximately 0.3 million square feet and 0.2 million square feet, respectively, representing an average annual expiration rate of 11.3% and 13.9% respectively, per year (assuming no tenants exercise renewal or cancellation options and there are no tenant bankruptcies or other tenant defaults).

The following tables set forth a schedule of the annual lease expirations at our Suburban consolidated and unconsolidated office properties, respectively, with respect to leases in place as of December 31, 2012 for each of the next ten years and thereafter (assuming that no tenants exercise renewal or cancellation options and that there are no tenant bankruptcies or other tenant defaults):

Suburban Consolidated Office Properties Year of Lease Expiration	Number of Expiring Leases	Square Footage of Expiring Leases	Percentage of Total Leased Square Feet (%)	Annualized Cash Rent of Expiring Leases ⁽¹⁾	Annualized Cash Rent Per Leased Square Foot of Expiring Leases ⁽²⁾
2013 ⁽³⁾	56	299,764	10.32%	\$ 8,646,612	\$ 28.84
2014	36	220,641	7.59	7,740,864	35.08
2015	43	303,013	10.43	10,395,732	34.31
2016	49	686,280	23.62	21,786,774	31.75
2017	27	130,555	4.49	4,290,744	32.87
2018	23	169,792	5.84	6,199,776	36.51
2019	17	498,180	17.15	13,760,748	27.62
2020	13	240,732	8.29	7,439,448	30.90
2021	9	144,861	4.99	3,535,596	24.41
2022 & thereafter	18	211,683	7.28	7,240,410	34.20
Total/weighted average	291	2,905,501	100.00%	\$ 91,036,704	\$ 31.33

(1) Annualized Cash Rent of Expiring Leases represents the monthly contractual rent under existing leases as of December 31, 2012 multiplied by 12. This amount reflects total rent before any rent abatements and includes expense reimbursements, which may be estimated as of such date. Total rent abatements for leases in effect as of December 31, 2012 for the 12 months ending December 31, 2013, are reductions of approximately \$2.7 million for the properties.

(2) Annualized Cash Rent Per Leased Square Foot of Expiring Leases represents Annualized Cash Rent of Expiring Leases, as described in footnote (1) above, presented on a per leased square foot basis.

(3) Includes 99,188 square feet occupied by month-to-month holdover tenants whose leases expired prior to December 31, 2012.

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Suburban Unconsolidated Office Properties Year of Lease Expiration	Number of Expiring Leases	Square Footage of Expiring Leases	Percentage of Total Leased Square Feet (%)	Annualized Cash Rent of Expiring Leases ⁽¹⁾	Annualized Cash Rent Per Leased Square Foot of Expiring Leases ⁽²⁾
2013 ⁽³⁾	31	213,923	17.14%	\$ 6,641,388	\$ 31.05
2014	32	291,251	23.33	10,318,416	35.43
2015	24	159,070	12.74	4,903,008	30.82
2016	13	80,043	6.41	3,129,612	39.10
2017	17	124,946	10.01	4,691,748	37.55
2018	8	89,553	7.17	3,152,124	35.20
2019	6	52,455	4.20	1,733,184	33.04
2020	7	48,459	3.88	1,668,060	34.42
2021	5	82,241	6.59	2,817,000	34.25
2022 & thereafter	8	106,465	8.53	3,422,904	32.15
Total/weighted average	151	1,248,406	100.00%	\$ 42,477,444	\$ 34.03

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- (1) Annualized Cash Rent of Expiring Leases represents the monthly contractual rent under existing leases as of December 31, 2012 multiplied by 12. This amount reflects total rent before any rent abatements and includes expense reimbursements, which may be estimated as of such date. Total rent abatements for leases in effect as of December 31, 2012 for the 12 months ending December 31, 2013, are reductions of approximately \$2.2 million for the joint venture properties.
- (2) Annualized Cash Rent Per Leased Square Foot of Expiring Leases represents Annualized Cash Rent of Expiring Leases, as described in footnote (1) above, presented on a per leased square foot basis.
- (3) Includes 100,528 square feet occupied by month-to-month holdover tenants whose leases expired prior to December 31, 2012.

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Tenant Diversification

At December 31, 2012, our portfolio was leased to approximately 1,399 tenants, which are engaged in a variety of businesses, including professional services, financial services, media, apparel, business services and government/non-profit. The following table sets forth information regarding the leases with respect to the 30 largest tenants in our portfolio, based on the amount of square footage leased by our tenants as of December 31, 2012:

Tenant ⁽¹⁾	Properties	Remaining Lease Term in Months ⁽²⁾	Total Leased Square Feet	Percentage of Aggregate Portfolio Leased Square Feet (%)	Percentage of Aggregate Portfolio Annualized Cash Rent (%)
Citigroup, N.A.	388 & 390 Greenwich Street, 485 Lexington Avenue, 750 Third Avenue, 800 Third Avenue & 750 Washington Blvd	96	3,023,423	10.2%	6.4%
Viacom International, Inc.	1515 Broadway	222	1,271,881	4.3	6.9
Credit Suisse Securities (USA), Inc.	1 Madison Avenue & 280 Park Avenue	96	1,238,829	4.2	6.0
AIG Employee Services, Inc.	180 Maiden Lane	16	803,222	2.7	1.8
Random House, Inc.	1745 Broadway	126	644,598	2.2	1.0
Debevoise & Plimpton, LLP	919 Third Avenue	108	619,353	2.1	1.8
Omnicom Group, Inc.	220 East 42nd Street & 420 Lexington Avenue	52	494,476	1.7	1.8
The City of New York	16 Court Street & 100 Church Street	255	341,903	1.2	1.2
Advance Magazine Group, Fairchild Publications	750 Third Avenue & 485 Lexington Avenue	98	339,195	1.1	1.3
Ralph Lauren Corporation	625 Madison Avenue	84	330,486	1.1	1.9
Harper Collins Publishers LLC	1350 Avenue of the Americas & 10 East 53 rd Street	95	289,534	1.0	0.9
C.B.S. Broadcasting, Inc.	555 West 57th Street	132	282,385	1.0	0.9
Schulte, Roth & Zabel LLP	919 Third Avenue	102	263,186	0.9	0.7
The Metropolitan Transportation Authority	333 West 34th Street & 420 Lexington Avenue	97	242,663	0.8	0.8
New York Presbyterian Hospital	673 First Avenue	104	232,772	0.8	1.0
HF Management Services LLC	100 Church Street	231	230,394	0.8	0.6
BMW of Manhattan	555 West 57th Street	115	227,782	0.8	0.5
Stroock, Stroock & Lavan LLP	180 Maiden Lane	125	223,434	0.8	0.4
The Travelers Indemnity Company	485 Lexington Avenue & 2 Jericho Plaza	44	213,456	0.7	0.8
The City University of New York-CUNY	555 West 57th Street & 16 Court Street	216	207,136	0.7	0.6
Verizon	120 West 45th Street, 1100 King Street Bldg. 1, 1 Landmark Square, 2 Landmark Square & 500 Summit Lake Drive	84	204,076	0.7	1.1
Amerada Hess Corp.	1185 Avenue of the Americas	180	181,569	0.6	1.1
Fuji Color Processing Inc.	200 Summit Lake Drive	78	165,880	0.6	0.5
United Nations	220 East 42nd Street	111	162,146	0.5	0.6
News America Incorporated	1185 Avenue of the Americas	95	161,722	0.5	1.2
King & Spalding	1185 Avenue of the Americas	154	159,943	0.5	0.9
New York Hospitals Center/Mount Sinai	625 Madison Avenue & 673 First Avenue	166	157,433	0.5	0.7
National Hockey League	1185 Avenue of the Americas	119	148,217	0.5	1.1
D.E. Shaw and Company L.P.	120 West 45th Street	99	145,964	0.5	0.8
Banque National De Paris	919 Third Avenue	43	145,834	0.5	0.4
Total Weighted Average⁽³⁾			13,152,892	44.5%	45.7%

(1) This list is not intended to be representative of our tenants as a whole.

(2) Lease term from December 31, 2012 until the date of the last expiring lease for tenants with multiple leases.

(3) Weighted average calculation based on total rentable square footage leased by each tenant.

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Environmental Matters

We engaged independent environmental consulting firms to perform Phase I environmental site assessments on our portfolio, in order to assess existing environmental conditions. All of the Phase I assessments met the ASTM Standard. Under the ASTM Standard, a Phase I environmental site assessment consists of a site visit, an historical record review, a review of regulatory agency data bases and records, and interviews with on-site personnel, with the purpose of identifying potential environmental concerns associated with real estate. These environmental site assessments did not reveal any known environmental liability that we believe will have a material adverse effect on our results of operations or financial condition.

ITEM 3. LEGAL PROCEEDINGS

As of December 31, 2012, we were not involved in any material litigation nor, to management's knowledge, was any material litigation threatened against us or our portfolio other than routine litigation arising in the ordinary course of business or litigation that is adequately covered by insurance.

ITEM 4. MINE SAFETY DISCLOSURES

Not Applicable.

Table of Contents**PART II****ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES**

Our common stock trades on the New York Stock Exchange, or the NYSE, under the symbol "SLG." On February 15, 2013, the reported closing sale price per share of common stock on the NYSE was \$82.70 and there were approximately 349 holders of record of our common stock. The table below sets forth the quarterly high and low closing sales prices of the common stock on the NYSE and the distributions declared by us with respect to the periods indicated.

Quarter Ended	2012			2011		
	High	Low	Dividends	High	Low	Dividends
March 31	\$ 79.27	\$ 68.16	\$ 0.25	\$ 75.73	\$ 67.05	\$ 0.10
June 30	\$ 83.31	\$ 70.91	\$ 0.25	\$ 90.01	\$ 74.72	\$ 0.10
September 30	\$ 85.14	\$ 76.37	\$ 0.25	\$ 87.54	\$ 58.15	\$ 0.10
December 31	\$ 79.63	\$ 71.37	\$ 0.33	\$ 71.33	\$ 55.14	\$ 0.25

If dividends are declared in a quarter, those dividends are generally paid during the subsequent quarter. We expect to continue our policy of distributing our taxable income through regular cash dividends on a quarterly basis, although there is no assurance as to future dividends because they depend on future earnings, capital requirements and financial condition. See Item 7 "Management's Discussion and Analysis of Financial Condition and Results of Operations - Dividends" for additional information regarding our dividends.

UNITS

At December 31, 2012, there were 2,826,426 units of limited partnership interest of the operating partnership outstanding and held by persons other than the Company, which received distributions per unit in the same manner as dividends per share were distributed to common stockholders.

ISSUER PURCHASES OF EQUITY SECURITIES

None.

SALE OF UNREGISTERED AND REGISTERED SECURITIES; USE OF PROCEEDS FROM REGISTERED SECURITIES

During the years ended December 31, 2012, 2011 and 2010, we issued 1,096,384, 12,423 and 278,865 shares of common stock, respectively, to holders of units of limited partnership interest in the Operating Partnership upon the redemption of such units pursuant to the partnership agreement of the Operating Partnership. The issuance of such shares was exempt from registration under the Securities Act, pursuant to the exemption contemplated by Section 4(2) thereof for transactions not involving a public offering. The units were converted into an equal number of shares of common stock.

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The following table summarizes information, as of December 31, 2012, relating to our equity compensation plans pursuant to which shares of our common stock or other equity securities may be granted from time to time.

Plan category	Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)	Weighted average exercise price of outstanding options, warrants and rights (b)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c)
Equity compensation plans approved by security holders ⁽¹⁾	3,336,200 ⁽²⁾	\$ 75.05 ⁽³⁾	433,667 ⁽⁴⁾
Equity compensation plans not approved by security holders			
Total	3,336,200	\$ 75.05	433,667

(1) Includes information related to our Second Amended and Restated 2005 Stock Option and Incentive Plan, Amended 1997 Stock Option and Incentive Plan, as amended and 2008 Employee Stock Purchase Plan.

(2) Includes (i) 1,201,000 shares of common stock issuable upon the exercise of outstanding options (480,000 of which are vested and exercisable), (ii) 412,500 restricted stock units and 75,156 phantom stock units that may be settled in shares of common stock (377,100 of which are vested), (iii) 541,166 LTIP units that, upon the satisfaction of certain conditions, are convertible into common units, which may be presented to us for redemption and acquired by us for shares of our common stock (none of which are vested) and (iv) shares of common stock reserved in connection with LTIP units issued pursuant to the 2011 Long-Term Outperformance Plan, all of which remain subject to performance-based vesting and a dollar value limitation on the number of LTIP units that may be earned based on our common stock price when the LTIP units are earned.

(3) Because there is no exercise price associated with restricted stock units, phantom stock units or LTIP units, these awards are not included in the weighted-average exercise price calculation.

(4) Balance is after reserving for shares underlying outstanding restricted stock units, phantom stock units granted pursuant to our Non-Employee Directors' Deferral Program and LTIP Units, including, among others, outstanding LTIP Units issued under our 2011 Long-Term Outperformance Plan, which remain subject to performance-based vesting. Number of securities remaining available consists exclusively of shares remaining available for issuance under our 2008 Employee Stock Purchase Plan.

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ITEM 6. SELECTED FINANCIAL DATA

The following table sets forth our selected financial data and should be read in conjunction with our Financial Statements and notes thereto included in Item 8, "Financial Statements and Supplementary Data" and Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations" in this Form 10-K.

In connection with this Annual Report on Form 10-K, we are restating our historical audited consolidated financial statements as a result of classifying certain properties as held for sale. As a result, we have reported revenue and expenses from these properties as discontinued operations for each period presented in our Annual Report on Form 10-K. These reclassifications had no effect on our reported net income or funds from operations.

We are also providing updated summary selected financial information, which is included below, reflecting the prior period reclassification as discontinued operations of the property sold during 2012 and those designated as held for sale as of December 31, 2012.

Operating Data	Year Ended December 31,				
	2012	2011	2010	2009	2008
(In thousands, except per share data)					
Total revenue	\$ 1,400,255	\$ 1,263,428	\$ 1,084,386	\$ 978,361	\$ 1,047,819
Operating expenses	298,322	263,709	224,693	209,272	219,427
Real estate taxes	210,467	174,454	145,830	136,636	121,857
Ground rent	37,866	32,919	31,191	31,826	31,494
Interest expense, net of interest income	330,569	285,917	230,648	232,655	289,061
Amortization of deferred finance costs	19,450	14,118	9,046	7,065	6,139
Depreciation and amortization	332,028	277,345	225,193	220,396	210,813
Loan loss and other investment reserves, net of recoveries	564	6,722	17,751	150,510	115,882
Transaction related costs	5,625	5,561	11,849		
Marketing, general and administration	82,840	80,103	75,946	73,992	104,583
Total expenses	1,317,731	1,140,848	972,147	1,062,352	1,099,256
Equity in net income from unconsolidated joint ventures	76,418	1,583	39,607	62,878	59,961
Equity in net gain on sale of interest in unconsolidated joint venture/ real estate	37,053	2,918	128,921	6,691	103,056
Purchase price fair value adjustment		498,195			
Gain (loss) on investment in marketable securities	4,940	4,866	490	(396)	(147,489)
Depreciable real estate reserves		(5,789)	(2,750)		
Gain(loss) on early extinguishment of debt	(6,978)	904	(1,900)	86,006	77,465
Income from continuing operations	193,957	625,257	276,607	71,188	41,556
Discontinued operations	15,743	51,865	42,549	477	362,492
Net income	209,700	677,122	319,156	71,665	404,048
Net income attributable to noncontrolling interest in operating partnership	(5,597)	(14,629)	(4,574)	(1,221)	(14,561)
Net income attributable to noncontrolling interests in other partnerships	(5,591)	(15,083)	(14,007)	(12,900)	(8,677)
Preferred unit distributions	(2,107)				
Net income attributable to SL Green	196,405	647,410	300,575	57,544	380,810
Preferred stock redemption costs	(10,010)				
Preferred dividends	(30,411)	(30,178)	(29,749)	(19,875)	(19,875)
Net income attributable to SL Green common stockholders	\$ 155,984	\$ 617,232	\$ 270,826	\$ 37,669	\$ 360,935
Net income per common share Basic	\$ 1.75	\$ 7.37	\$ 3.47	\$ 0.54	\$ 6.22

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Net income per common share Diluted	\$ 1.74	\$ 7.33	\$ 3.45	\$ 0.54	\$ 6.20
Cash dividends declared per common share	\$ 1.08	\$ 0.55	\$ 0.40	\$ 0.6750	\$ 2.7375
Basic weighted average common shares outstanding	89,319	83,762	78,101	69,735	57,996
Diluted weighted average common shares and common share equivalents outstanding	92,873	86,244	79,761	72,044	60,598

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Balance Sheet Data (In thousands)	As of December 31,				
	2012	2011	2010	2009	2008
Commercial real estate, before accumulated depreciation	\$ 11,662,953	\$ 11,147,151	\$ 8,890,064	\$ 8,257,100	\$ 8,201,789
Total assets	14,387,754	13,483,852	11,300,294	10,487,577	10,984,353
Mortgages and other loans payable, revolving credit facility, senior unsecured notes and trust preferred securities	6,520,420	6,035,397	5,251,013	4,892,688	5,581,559
Noncontrolling interests in operating partnership	212,907	195,030	84,338	84,618	87,330
Equity	6,907,103	6,453,309	5,397,544	4,913,129	4,481,960

Other Data (In thousands)	Year Ended December 31,				
	2012	2011	2010	2009	2008
Funds from operations available to all stockholders ⁽¹⁾	\$ 490,255	\$ 413,813	\$ 389,161	\$ 318,817	\$ 344,856
Net cash provided by operating activities	353,743	312,860	321,058	275,211	296,011
Net cash (used in) provided by investment activities	(1,170,393)	(739,597)	18,815	(345,379)	396,219
Net cash provided by (used in) financing activities	868,442	232,099	(350,758)	(313,006)	(11,305)

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

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

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ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Overview

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

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

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

The New York City commercial real estate market continued to strengthen in 2012, and SL Green took advantage of this strengthening market in improving occupancies and deploying capital in the borough of Manhattan to strategically position the Company for future growth.

Leasing and Operating

We have historically outperformed the Manhattan office market, and did so again in 2012. Our Manhattan office property occupancy on same-store properties increased to 93.8% from 93.0% in the prior year. During 2012, we signed office leases in Manhattan encompassing 3.7 million square feet, of which 3.0 million square feet represented office leases that replaced previously occupied space. Our mark-to-market on these 3.0 million square feet of signed Manhattan office leases that replaced previously occupied space was 7.5% for 2012. The highlight of our leasing activity during 2012 was the signing of the largest non-sale leaseback office lease in Manhattan's history, a 1.6 million square foot lease with Viacom International, Inc. which represented the entirety of the office space at 1515 Broadway. In addition, we completed the lease-up of 100 Church Street with the 485,000 square foot early renewal and expansion lease with the City of New York.

New leasing activity in Manhattan in 2012 totaled 23.2 million square feet, slightly below the ten-year average. Direct absorption in Manhattan exceeded 1.4 million square feet during the year, of which 0.2 million square feet was absorbed in Midtown Manhattan, the location of 82% of our in-service office properties (by square footage). This leasing activity in 2012 occurred despite the headwinds caused in part by the presidential election, fiscal cliff, continued implementation of the provisions of the Dodd-Frank Act and Hurricane Sandy. These factors impacted the leasing markets resulting in the Midtown submarket overall office vacancy increasing from 9.6% at December 31, 2011 to 10.3% at December 31, 2012. However, no new office space was added to the Midtown office inventory, with approximately 1.8 million square feet (0.5% of the total 392.9 million square foot Manhattan office inventory) currently under construction and scheduled to be placed in service by 2014.

Demand for space in certain sub-markets such as Midtown South and a lack of new supply created conditions in which asking rents for direct space in Midtown South increased during 2012 by 8.3% to \$50.02 per square foot. Asking rents for direct space in Midtown increased during 2012 by 3.0% to \$68.77 per square foot and have increased by 8.8% since the recessionary trough in the first quarter of 2010. Over the same period, net effective rents (which take into consideration leasing concessions) have increased by 26.4%.

We incurred minimal damage at most of the properties in our portfolio due to Hurricane Sandy. The most impacted property was 180 Maiden Lane, located in flood Zone A in Manhattan, which experienced heavy flooding. Our operations team, with assistance from other professionals, was able to restore the building's

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operations within three weeks of the hurricane. We carry comprehensive property, casualty and flood insurance on our properties and full coverage of losses is anticipated.

Acquisition and Disposition Activity

Sales volume in Manhattan in 2012 increased 4% to \$26.5 billion compared to \$25.5 billion in 2011, partly as a result of a flurry of activity in the fourth quarter. Nevertheless, consistent with our multi-faceted approach to property acquisitions, we were able to source transactions that provide value enhancement opportunities, including the acquisition of equity interests in 17 office, retail and multi-family properties during 2012, representing total investments of \$1.3 billion.

We also took advantage of the improving market conditions and interest by institutions and individuals seeking ownership interests in properties to sell assets, disposing of properties with more limited growth opportunities, and raising efficiently priced capital for reinvestment. During the year, we sold our fee interest in 292 Madison Avenue and a 49.5% partnership interest in 521 Fifth Avenue, as well as several other joint venture assets, including One Court Square, Long Island City, New York.

Debt and Preferred Equity

Beginning in 2010, we saw an increase in opportunities to acquire existing debt and preferred equity positions in high quality Manhattan office properties at discounts that enabled us to generate high risk adjusted yields, and offer off-market access to property acquisitions. As 2012 progressed, and the availability of discounted debt and preferred equity in high quality properties waned, we began to focus on the origination of financings, typically in the form of preferred equity and mezzanine debt, for owners or acquirers seeking higher leverage than has been available from traditional lending sources who are lending at modest leverage levels. Traditional sources of junior financings have not yet materialized as a result of the Dodd-Frank Act and other banking regulations. This provided us with an opportunity to fill this need by providing more modest amounts of leverage. The typical investments made by us during 2012 were to reputable owners or acquirers, and at leverage levels which are senior to sizable equity investments by the sponsors. During 2012, our debt and preferred equity activities included purchases and originations of \$637.1 million, redemptions and sales of \$264.0 million and the conversion of a \$25.0 million investment into equity ownership. Property equity ownership resulting from this lending program during 2012 included a 4.5 million square foot west coast portfolio of office properties.

Outlook

Several factors introduced into the market during the second half of 2012 have modestly reduced expectations for the recovery of jobs and in demand for office space in 2013. Those factors include increased ordinary and capital gains tax rates and additional cost cutting by the financial services sector. Despite these factors, we continue to see a solid leasing market and the potential for improving leasing fundamentals as we progress through the year.

Highlights from 2012

Our significant activities for 2012 included:

Directly acquired or consolidated joint venture interests in 12 properties for aggregate gross purchase prices of \$641.3 million encompassing 1.1 million square feet.

Invested in five properties through joint ventures for aggregate gross purchase prices of \$626.7 million and encompassing 0.6 million square feet.

Closed on a \$1.6 billion 5-year credit facility.

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Sold 2.6 million shares of common stock through our "at-the-market" equity offering programs raising net proceeds of \$201.3 million were used to repay certain of our existing indebtedness, make investments in additional properties and debt and preferred equity investments, and for general corporate purposes.

Issued \$200.0 million principal amount of 4.50% senior unsecured notes, due 2022, at par. The net proceeds from the offering (approximately \$198.2 million) were used to repay certain of our existing indebtedness, make investments in additional properties, and for general corporate purposes.

Issued 6.50% Series I Cumulative Redeemable Preferred Stock generating net proceeds to the Company of \$222.2 million, redeemed the entire \$100.0 million, 7.875% Series D Cumulative Redeemable Preferred Stock and redeemed \$100.0 million of the 7.625% Series C Cumulative Redeemable Preferred Stock.

Closed on a \$175.0 million financing with a 1-year term and a 1-year extension option.

Closed on 5 mortgages totaling approximately \$1.1 billion.

Signed 215 office leases totaling 3.7 million square feet in Manhattan.

Signed 107 office leases totaling 0.6 million square feet in the Suburbs.

As of December 31, 2012, we owned the following interests in commercial office properties in the New York Metropolitan area, primarily in midtown Manhattan. Our investments in the New York Metropolitan area also include investments in Brooklyn, Long Island, Westchester County, Connecticut and Northern New Jersey, which are collectively known as the Suburban assets:

Location	Ownership	Number of Properties	Square Feet	Weighted Average Occupancy ⁽¹⁾
Manhattan	Consolidated properties	27	18,347,945	93.8%
	Unconsolidated properties	9	5,934,434	95.0%
Suburban	Consolidated properties	25	3,863,000	79.9%
	Unconsolidated properties	5	1,539,700	84.7%
		66	29,685,079	91.7%

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

As of December 31, 2012, we also owned investments in 15 stand-alone retail properties encompassing approximately 473,764 square feet, 16 development properties encompassing approximately 2,617,491 square feet, two residential properties encompassing 385 units (approximately 430,482 square feet), two land interests and 31 west coast office properties encompassing approximately 4,473,603 square feet. In addition, we manage two office properties owned by third parties and affiliated companies encompassing approximately 626,415 rentable square feet. As of December 31, 2012, we also held debt and preferred equity investments with a book value of \$1.4 billion.

Critical Accounting Policies

Our discussion and analysis of financial condition and results of operations is based on our consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States. The preparation of these financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, and contingencies as of the date of the

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financial statements and the reported amounts of revenues and expenses during the reporting periods. We evaluate our assumptions and estimates on an ongoing basis. We base our estimates on historical experience and on various other assumptions that we believe to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions. We believe the following

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critical accounting policies affect our more significant judgments and estimates used in the preparation of our consolidated financial statements.

Investment in Commercial Real Estate Properties

On a periodic basis, we assess whether there are any indications that the value of our real estate properties may be impaired or that their carrying value may not be recoverable. A property's value is considered impaired if management's estimate of the aggregate future cash flows (undiscounted and without interest charges for consolidated properties) to be generated by the property are less than the carrying value of the property. To the extent impairment has occurred, the loss will be measured as the excess of the carrying amount of the property over the calculated fair value of the property. In addition, we assess our investments in unconsolidated joint ventures for impairment, and if it is determined that a loss in value of the investment is other than temporary, we write down the investment to its fair value. We evaluate our equity investments for impairment based on the joint venture's projected discounted cash flows. During 2010, we recorded a \$2.8 million impairment charge on one of our equity investments. During 2011, we recorded a \$5.8 million impairment charge in connection with the expected sale of one of our equity investments. These charges are included in depreciable real estate reserves. See Note 6, "Investments in Unconsolidated Joint Ventures." We do not believe that the value of any of our consolidated properties or equity investments was impaired at December 31, 2012 and 2011, respectively.

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

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

Investment in Unconsolidated Joint Ventures

We account for our investments in unconsolidated joint ventures under the equity method of accounting in cases where we exercise significant influence over, but do not control, these entities and are not considered to be the primary beneficiary. We consolidate those joint ventures that we control or which are VIEs and where we are

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considered to be the primary beneficiary. In all these joint ventures, the rights of the joint venture partner are both protective as well as participating. Unless we are determined to be the primary beneficiary in a VIE, these participating rights preclude us from consolidating these non-VIE entities. These investments are recorded initially at cost, as investments in unconsolidated joint ventures, and subsequently adjusted for equity in net income (loss) and cash contributions and distributions. Any difference between the carrying amount of these investments on our balance sheet and the underlying equity in net assets is amortized as an adjustment to equity in net income (loss) of unconsolidated joint ventures over the lesser of the joint venture term or 10 years. Equity income (loss) from unconsolidated joint ventures is allocated based on our ownership or economic interest in each joint venture. When a capital event (as defined in each joint venture agreement) such as a refinancing occurs, if return thresholds are met, future equity income will be allocated at our increased economic percentage. We recognize incentive income from unconsolidated real estate joint ventures as income to the extent it is earned and not subject to a clawback feature. Distributions we receive from unconsolidated real estate joint ventures in excess of our basis in the investment are recorded as offsets to our investment balance if we remain liable for future obligations of the joint venture or may otherwise be committed to provide future additional financial support. None of the joint venture debt is recourse to us, except guarantees at two joint ventures, totaling \$218.4 million, and performance guarantees under a master lease at another joint venture. See Note 6, "Investments in Unconsolidated Joint Ventures," in the accompanying financial statements.

Revenue Recognition

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

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

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

Allowance for Doubtful Accounts

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

Reserve for Possible Credit Losses

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

Where impairment is indicated on an investment that is held to maturity, a valuation allowance is measured based upon the excess of the recorded investment amount over the net fair value of the collateral. Any deficiency

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between the carrying amount of an asset and the calculated value of the collateral is charged to expense. The write-off of the reserve balance is called a charge-off. We recorded approximately \$3.0 million, \$10.9 million and \$19.8 million in loan loss reserves and charge offs during the years ended December 31, 2012, 2011 and 2010, respectively, on investments being held to maturity. During the year ended December 31, 2010, we recorded loan loss reserves and charge-offs of \$1.0 million against our held for sale investment. We also recorded approximately \$2.4 million, \$4.4 million and \$3.7 million in recoveries during the years ended December 31, 2012, 2011 and 2010, respectively, in connection with the sale of our investments.

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

Derivative Instruments

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

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

Results of Operations

Comparison of the year ended December 31, 2012 to the year ended December 31, 2011

The following comparison for the year ended December 31, 2012, or 2012, to the year ended December 31, 2011, or 2011, makes reference to the following: (i) the effect of the "Same-Store Properties," which represents all operating properties owned by us in the same manner at January 1, 2011 and at December 31, 2012 and totaled 46 of our 52 consolidated properties, representing approximately 72% of our share of annualized rental revenue, (ii) the effect of the "Acquisitions," which represents all properties or interests in properties acquired in 2011 and 2012 and all non-Same-Store Properties, including properties deconsolidated during the period, and (iii) "Other,"

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which represents corporate level items not allocable to specific properties, as well as the Service Corporation and eEmerge Inc. Assets classified as held for sale, are excluded from the following discussion.

Rental Revenues (in millions)	2012	2011	\$ Change	% Change
Rental revenue	\$ 1,078.0	\$ 961.9	\$ 116.1	12.1%
Escalation and reimbursement revenue	167.4	145.6	21.8	15.0
Total	\$ 1,245.4	\$ 1,107.5	\$ 137.9	12.5%
Same-Store Properties	\$ 984.1	\$ 980.9	\$ 3.2	0.3%
Acquisitions	247.1	125.4	121.7	97.0
Other	14.2	1.2	13	1,083.3
Total	\$ 1,245.4	\$ 1,107.5	\$ 137.9	12.5%

Occupancy in the Same-Store Properties was 90.3% at December 31, 2012 and 89.6% at December 31, 2011. The increase in rental revenue from the Acquisitions is primarily due to owning these properties during 2012 compared to a partial period or not being included in 2011.

Occupancy for our same-store Manhattan portfolio at December 31, 2012 was 93.0% as compared to 92.0% for the same period in the previous year. During the year ended December 31, 2012, we signed 215 office leases in our Manhattan portfolio totaling 3,660,242 square feet. Eighty leases totaling 697,710 square feet represented office leases that replaced previous vacancies, while 135 office leases comprising 2,962,532 square feet had average starting rents of \$56.16 per rentable square foot, representing a 7.5% increase over the previously fully escalated rents on the same office spaces. The average lease term on the Manhattan office leases signed during the year ended December 31, 2012 was 12.5 years and average tenant concessions were 6.2 months of free rent with a tenant improvement allowance and lease commissions of \$58.92 per rentable square foot. Of the 3,195,392 square feet of office leases which commenced during 2012, 506,131 square feet represented office leases that replaced previous vacancies, while 2,689,261 million square feet represented office leases that had average starting rents of \$54.84 per rentable square foot, representing a 6.9% increase over the previously fully escalated rents on the same office spaces.

Occupancy for our Suburban portfolio was 79.9% at December 31, 2012 as compared to 80.5% for the same period in the previous year. During the year ended December 31, 2012, we signed 107 office leases in the Suburban portfolio totaling 635,370 square feet. Thirty-six leases and 117,188 square feet represented office leases that replaced previous vacancies, while 71 office leases comprising 518,182 square feet had average starting rents of \$29.44 per rentable square foot, representing a 10.2% decrease over the previously fully escalated rents on the same office spaces. The average lease term on the Suburban office leases signed during the year ended December 31, 2012 was 5.0 years and average tenant concessions were 4.9 months of free rent with a tenant improvement allowance and lease commissions of \$17.71 per rentable square foot. Of the 638,077 square feet of office leases which commenced during 2012, 132,634 square feet represented office leases that replaced previous vacancies, while 505,443 square feet represented office leases that had average starting rents of \$29.14 per rentable square foot, representing a 10.9% decrease over the previously fully escalated rents on the same office spaces.

At December 31, 2012, approximately 5.9% and 10.3% of the space leased at our consolidated Manhattan and Suburban properties, respectively, is expected to expire during 2013. We estimate that the current market rents on these expected 2013 lease expirations at our consolidated Manhattan and Suburban properties would be approximately 8.6% and 1.4% higher, respectively, than then existing in-place fully escalated rents. We estimate that the current market rents on all our consolidated Manhattan and Suburban properties are approximately 13.7% and 1.5% higher, respectively, than the existing in-place fully escalated rents on leases that are scheduled to expire in all future years.

The increase in rental revenue and escalation and reimbursement revenue on a consolidated basis was also due in large part to the consolidation of our interest in the west coast office portfolio for the months of August and September 2012, during which time we owned approximately 63.18% of the equity in the joint venture and

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controlled its activities. We recognized approximately \$15.8 million in revenues during these periods. Following the recapitalization transaction, we no longer control the joint venture and have accounted for our investment under the equity method as of September 28, 2012.

The increase in escalation and reimbursement revenue was due to higher recoveries at the Acquisitions (\$21.6 million) and Other properties (\$1.6 million) which were offset by lower recoveries at the Same-Store Properties (\$1.4 million). The decrease in recoveries at the Same-Store Properties was primarily due to lower operating expense escalations (\$4.8 million) and electric reimbursements (\$0.4 million), which were partially offset by higher real estate tax recoveries (\$3.8 million).

Same-Store net operating income, which is Same-Store revenues plus Same-Store other income less Same-Store operating expenses, decreased \$7.1 million, or 1.2%, from \$582.0 million for the year ended December 31, 2011 to \$574.9 million for the year ended December 31, 2012.

Investment and Other Income (in millions)	2012	2011	\$ Change	% Change
Equity in net income of unconsolidated joint ventures	\$ 76.4	\$ 1.6	\$ 74.8	4,675.0%
Investment and preferred equity income	119.2	120.4	(1.2)	(1.0)
Other income	35.7	35.5	0.2	0.6
Total	\$ 231.3	\$ 157.5	\$ 73.8	46.9%

The increase in equity in net income of unconsolidated joint ventures was primarily due to higher net income contributions primarily from our investments in 717 Fifth Avenue (\$69.9 million), which was primarily due to the receipt of refinancing proceeds in excess of our basis, The Meadows (\$10.2 million), which was due mainly to repayment of the old debt at a discount, 280 Park Avenue (\$8.0 million) which underlying property was only acquired by the joint venture in May 2011 as a result of a recapitalization transaction, 100 Park Avenue (\$2.9 million) and 388 Greenwich Street (\$2.2 million). This was partially offset by lower net income contributions from 1515 Broadway (\$6.2 million), which we consolidated in April 2011, 1 Jericho Plaza (\$1.4 million), which was due to our share of a lease termination payment, 450 West 33rd Street (\$1.1 million), which we consolidated in November 2011, the west coast office portfolio (\$5.0 million), which was consolidated for the months of August and September and was accounted under the equity method of accounting for investment as of September 28, 2012 as a result of a recapitalization transaction, and 3 Columbus Circle (\$1.1 million). Occupancy at our joint venture properties was 92.9% at December 31, 2012 and 94.0% at December 31, 2011. At December 31, 2012, approximately 1.5% and 17.1% of the space leased at our Manhattan and Suburban joint venture properties are expected to expire during 2013. We estimate that current market rents on these expected 2013 lease expirations at our Manhattan and Suburban joint venture properties are approximately 20.6% higher and 1.6% lower, respectively, than then existing in-place fully escalated rents.

Investment and preferred equity income decreased slightly during 2012 primarily due to additional income of \$43.0 million recognized during the year ended December 31, 2011 upon sale or repayment of loans (inclusive of the 280 Park Avenue transaction) offset by an increase in loan originations in 2012. During 2012, we originated or purchased \$637.1 million of new debt investments at a weighted average current yield of 9.3%. In addition, an entity that holds the property which served as collateral for our loan position, which is collateralized by a property in London, was determined to be a VIE under a reconsideration event and we have been determined to be the primary beneficiary. As a result of this determination, we consolidated the entity and reclassified the investment to assets held for sale on the consolidated balance sheet in June 2012. We recognized additional income of \$5.2 million in 2012 as a result of this transaction. The weighted average investment balance outstanding and weighted average yield were \$1.1 billion and 9.8%, respectively, for 2012 compared to \$809.1 million and 7.9%, respectively, for 2011. As of December 31, 2012, the debt and preferred equity investments had a weighted average term to maturity of approximately 2.2 years.

The increase in other income was primarily due to a higher contribution from Service Corporation (\$2.1 million), real estate tax refunds from some of our properties (\$2.0 million), and one-time acquisition fees (\$2.1 million) in connection with our investments in 33 Beekman and 10 East 53rd Street. This increase was offset by a reduction in fees received upon the completion of a special servicing assignment (\$6.6 million).

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Property Operating Expenses (in millions)	2012	2011	\$ Change	% Change
Operating expenses	\$ 298.3	\$ 263.7	\$ 34.6	13.1%
Real estate taxes	210.5	174.5	36.0	20.6
Ground rent	37.9	32.9	5.0	15.2
Total	\$ 546.7	\$ 471.1	\$ 75.6	16.0%
Same-Store Properties	\$ 416.9	\$ 405.8	\$ 11.1	2.7%
Acquisitions	112.0	54.1	57.9	107.0
Other	17.8	11.2	6.6	58.9
Total	\$ 546.7	\$ 471.1	\$ 75.6	16.1%

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

The increase in operating expenses at the Same-Store Properties was primarily due to higher real estate taxes (\$7.5 million), payroll costs (\$2.5 million), ground rent (\$4.9 million) and contract maintenance (\$1.1 million). This was partially offset by lower utility costs (\$5.2 million).

Other Expenses (in millions)	2012	2011	\$ Change	% Change
Interest expense, net of interest income	\$ 350.0	\$ 300.0	\$ 50.0	16.7%
Depreciation and amortization expense	332.0	277.3	54.7	19.7
Loan loss and other investment reserves, net of recoveries	0.6	6.7	(6.1)	(91.0)
Transaction related costs	5.6	5.6		
Marketing, general and administrative expense	82.8	80.1	2.7	3.4
Total	\$ 771.0	\$ 669.7	\$ 101.3	15.1%

The increase in interest expense was primarily attributable to higher average consolidated debt balances outstanding during the period due to the refinancing of 1515 Broadway (\$17.7 million) in April 2012, 100 Church Street (\$3.2 million) in June 2012 and 919 Third Avenue (\$5.7 million) in June 2011, and increase in investment activity inclusive of the acquisitions of Stonehenge properties (\$4.6 million) in January 2012, 180 Maiden Lane (\$6.7 million) in November 2011 and 110 East 42nd Street (\$2.3 million) in May 2011 subject to mortgages encumbering these properties. The consolidation of our interest in the west coast office portfolio for the months of August and September also contributed to the increase in interest expense by \$6.6 million. The weighted average debt balance outstanding increased from \$5.8 billion during the year ended December 30, 2011 to \$6.5 billion during the year ended December 31, 2012. The weighted average interest rate remained flat at 4.87% for each of the years ended December 31, 2011 and 2012.

Loan loss and other investment reserves decreased year over year. We recorded \$3.0 million in reserves and \$2.4 million in recoveries in 2012 compared to \$11.1 million in reserves and \$4.4 million in recoveries in 2011.

Marketing, general and administrative expenses were \$82.8 million or 5.1% of total revenues, including our share of joint venture revenues, in 2012 compared to \$80.1 million or 5.4% in 2011.

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

The following comparison for the year ended December 31, 2011, or 2011, to the year ended December 31, 2010, or 2010, makes reference to the following: (i) the effect of the "Same-Store Properties," which represents all operating properties owned by us in the same manner at January 1, 2010 and at December 31, 2011 and totaled 45 of our 51 consolidated properties, representing approximately 68% of our share of annualized rental revenue, (ii) the effect of the "Acquisitions," which represents all properties or interests in properties acquired in 2010 and 2011 and all non-Same-Store Properties, including properties deconsolidated during the period, and (iii) "Other,"

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which represents corporate level items not allocable to specific properties, as well as the Service Corporation and eEmerge Inc. Assets classified as held for sale, are excluded from the following discussion.

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

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

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

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

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

The increase in escalation and reimbursement revenue was due to higher recoveries at the Acquisitions (\$26.8 million) and Same-Store Properties (\$0.9 million) which were offset by lower recoveries at the Other

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

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

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

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

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

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

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

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

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

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

Marketing, general and administrative expense were \$80.1 million or 5.4% of total revenues, including our share of joint venture revenues, in 2011 compared to \$75.9 million or 5.6% in 2010.

Liquidity and Capital Resources

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

- (1) Cash flow from operations;
- (2) Cash on hand;
- (3) Borrowings under our 2012 credit facility;
- (4) Other forms of secured or unsecured financing;
- (5) Net proceeds from divestitures of properties and redemptions, participations and dispositions of debt and preferred equity investments; and
- (6) Proceeds from common or preferred equity or debt offerings by us, our Operating Partnership (including issuances of units of limited partnership interest in the Operating Partnership and trust preferred securities) or ROP.

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

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The combined aggregate principal maturities of our property mortgages and other loans payable, corporate obligations and our share of joint venture debt, including as-of-right extension options, as of December 31, 2012 are as follows (in thousands):

	2013	2014	2015	2016	2017	Thereafter	Total
Property mortgages and other loans	\$ 348,505	\$ 198,788	\$ 285,347	\$ 572,053	\$ 1,153,525	\$ 2,057,246	\$ 4,615,464
Corporate obligations		75,898	7	255,165	304,266	1,269,620	1,904,956
Joint venture debt-our share	176,511	309,090	36,457	528,278	933,634	151,391	2,135,361
Total	\$ 525,016	\$ 583,776	\$ 321,811	\$ 1,355,496	\$ 2,391,425	\$ 3,478,257	\$ 8,655,781

As of December 31, 2012, we had approximately \$211.4 million of consolidated cash on hand, inclusive of approximately \$21.4 million of marketable securities. We expect to generate positive cash flow from operations for the foreseeable future. We may seek to access private and public debt and equity capital when the opportunity presents itself, although there is no guarantee that this capital will be made available to us at efficient levels or at all. Management believes that these sources of liquidity, if we are able to access them, along with potential refinancing opportunities for secured debt, will allow us to satisfy our debt obligations, as described above, upon maturity, if not before.

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

Cash Flows

The following summary discussion of our cash flows is based on our consolidated statements of cash flows in "Item 8. Financial Statements" and is not meant to be an all-inclusive discussion of the changes in our cash flows for the periods presented below.

Cash and cash equivalents were \$190.0 million and \$138.2 million at December 31, 2012 and 2011, respectively, representing an increase of \$51.8 million. The increase was a result of the following changes in cash flows (in thousands):

	Year ended December 31,		
	2012	2011	Increase (Decrease)
Net cash provided by operating activities	\$ 353,743	\$ 312,860	\$ 40,883
Net cash used in investing activities	\$ (1,170,393)	\$ (739,597)	\$ (430,796)
Net cash provided by financing activities	\$ 868,442	\$ 232,099	\$ 636,343

Our principal source of operating cash flow is related to the leasing and operating of the properties in our portfolio. Our properties provide a relatively consistent stream of cash flow that provides us with resources to pay operating expenses, debt service and fund quarterly dividend and distribution payment requirements. At December 31, 2012, our portfolio was 91.4% occupied. Our debt and preferred equity and joint venture investments also provide a steady stream of operating cash flow to us.

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

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investment criteria. During the year ended December 31, 2012, when compared to the year ended December 31, 2011, we used cash primarily for the following investing activities (in thousands):

Acquisitions of real estate	\$ (97,812)
Capital expenditures and capitalized interest	10,952
Escrow cash-capital improvements/acquisition deposits	(99,361)
Joint venture investments	(105,254)
Distributions from joint ventures	15,517
Proceeds from sales of real estate/partial interest in property	17,937
Debt and preferred equity and other investments	(172,775)
Increase in net cash used by investing activities	\$ (430,796)

Funds spent on capital expenditures, which comprise building and tenant improvements, decreased from \$159.1 million for the year ended December 31, 2011 to \$148.1 million for the year ended December 31, 2012. The decreased capital expenditures relate primarily to lower costs incurred in connection with the redevelopment of properties and the build-out of space for tenants resulting from leasing activity.

We generally fund our investment activity through property-level financing, our 2012 credit facility, senior unsecured notes, convertible or exchangeable securities, construction loans, sale of real estate and from time to time, we issue common or preferred stock or the Operating Partnership may issue common or preferred units of limited partnership interest. During the year ended December 31, 2012, when compared to the year ended December 31, 2011, we used cash for the following financing activities (in thousands):

Proceeds from our debt obligations	\$ 254,579
Repayments under our debt obligations	538,903
Proceeds from issuance of common and preferred stock	(92,924)
Redemption of preferred stock	(200,013)
Noncontrolling interests, contributions in excess of distributions	144,957
Other financing activities	48,213
Dividends and distributions paid	(57,372)
Increase in net cash provided in financing activities	\$ 636,343

Capitalization

As of December 31, 2012, we had 91,249,632 shares of common stock, 2,759,758 units of limited partnership interest in the Operating Partnership held by persons other than the Company, 66,668 performance-based LTIP units, 7,700,000 shares of our 7.625% Series C cumulative redeemable preferred stock, or Series C preferred stock, and 9,200,000 shares of our 6.50% Series I cumulative redeemable preferred stock, or Series I preferred stock, outstanding. In addition, we also had preferred units of limited partnership interests in the Operating Partnership having aggregate liquidation preferences of \$49.6 million held by persons other than the Company.

In September 2012, we redeemed 4,000,000 shares, or \$100.0 million, of Series C preferred stock at a redemption price of \$25.00 per share plus \$0.3707 in accumulated and unpaid dividends on such preferred stock through September 24, 2012. We recognized \$6.3 million of costs to partially redeem the Series C preferred stock. As a result of this redemption, we have 7,700,000 shares of Series C Preferred stock outstanding.

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

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In July 2012, we redeemed all 4,000,000 shares, or \$100.0 million, of our 7.875% Series D cumulative redeemable preferred stock, or Series D preferred stock, at a redemption price of \$25.00 per share plus \$0.4922 in accumulated and unpaid dividends on such preferred stock through July 14, 2012. We recognized \$3.7 million of costs to fully redeem the Series D preferred stock.

In July 2011, we, along with the Operating Partnership, entered into an "at-the-market" equity offering program, or ATM Program, to sell an aggregate of \$250.0 million of our common stock. During the year ended December 31, 2012, we sold 2.6 million shares of our common stock through the ATM Program for aggregate gross proceeds of approximately \$204.6 million (\$201.3 million of net proceeds after related expenses). The net proceeds were used to repay debt, fund new investments and for other corporate purposes. As of December 31, 2012, we had \$45.4 million available to issue under the ATM Program.

Dividend Reinvestment and Stock Purchase Plan

In March 2012, we filed a registration statement with the SEC for our dividend reinvestment and stock purchase plan, or DRIP, which automatically became effective upon filing. We registered 3,500,000 shares of common stock under the DRIP. The DRIP commenced on September 24, 2011.

During the years ended December 31, 2012 and 2011, we issued approximately 1.3 million and 473 shares of our common stock and received approximately \$99.6 million and \$34,000 of net proceeds, respectively, from dividend reinvestments and/or stock purchases under the DRIP. DRIP shares may be issued at a discount to the market price.

Second Amended and Restated 2005 Stock Option and Incentive Plan

Subject to adjustments upon certain corporate transactions or events, up to a maximum of 10,730,000 fungible units may be granted as options, restricted stock, phantom shares, dividend equivalent rights and other equity-based awards under the Second Amended and Restated 2005 Stock Option and Incentive Plan, or the 2005 Plan. As of December 31, 2012, no fungible units were available for issuance under the 2005 Plan after reserving for shares underlying outstanding restricted stock units, phantom stock units granted pursuant to our Non-Employee Directors' Deferral Program and LTIP Units, including, among others, outstanding LTIP Units issued under our 2011 Long-Term Outperformance Plan, which remain subject to performance-based vesting.

2005 Long-Term Outperformance Compensation Program

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

The cost of the 2005 Outperformance Plan (approximately \$8.0 million, subject to adjustment for forfeitures) was amortized into earnings through the final vesting period. We recorded approximately \$1.6 million of

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compensation expense during the year ended December 31, 2010 in connection with the 2005 Outperformance Plan. The cost of the 2005 Outperformance Plan had been fully expensed as of June 30, 2010.

2006 Long-Term Outperformance Compensation Program

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

The cost of the 2006 Outperformance Plan (approximately \$16.4 million, subject to adjustment for forfeitures) was amortized into earnings through July 31, 2011, the final vesting period. We recorded compensation expense of approximately \$70,000 and \$0.2 million during the years ended December 31, 2011 and 2010, respectively, in connection with the 2006 Outperformance Plan. The cost of the 2006 Outperformance Plan had been fully expensed as of September 30, 2011.

2010 Notional Unit Long-Term Compensation Plan

In December 2009, the compensation committee of our board of directors approved the general terms of the SL Green Realty Corp. 2010 Notional Unit Long-Term Compensation Program, or the 2010 Long-Term Compensation Plan. The 2010 Long-Term Compensation Plan is a long-term incentive compensation plan pursuant to which award recipients could earn, in the aggregate, from approximately \$15 million up to approximately \$75 million of LTIP Units in the Operating Partnership based on our stock price appreciation over three years beginning on December 1, 2009; provided that, if maximum performance had been achieved, approximately \$25 million of awards could be earned at any time after the beginning of the second year and an additional approximately \$25 million of awards could be earned at any time after the beginning of the third year. In order to achieve maximum performance under the 2010 Long-Term Compensation Plan, our aggregate stock price appreciation during the performance period had to equal or exceed 50%. The compensation committee determined that maximum performance had been achieved at or shortly after the beginning of each of the second and third years of the performance period and for the full performance period and, accordingly, 366,815 LTIP Units, 385,583 LTIP Units and 327,416 LTIP Units were earned under the 2010 Long-Term Compensation Plan in December 2010, 2011 and 2012, respectively. Substantially in accordance with the original terms of the program, 50% of these LTIP Units vested on December 17, 2012 (accelerated from the original January 1, 2013 vesting date) and the remainder is scheduled to vest ratably on January 1, 2014 and 2015 based on continued employment. In accordance with the terms of the 2010 Long-Term Compensation Plan, distributions were not paid on any LTIP Units until they were earned, at which time we paid all distributions that would have been paid on the earned LTIP Units since the beginning of the performance period.

The cost of the 2010 Long Term Compensation Plan (approximately \$31.7 million, subject to forfeitures) will be amortized into earnings through the final vesting period. We recorded compensation expense of approximately \$10.7 million, \$9.3 million and \$4.0 million during the years ended December 31, 2012, 2011 and 2010, respectively, related to the 2010 Long-Term Compensation Plan.

2011 Outperformance Plan

In August 2011, the compensation committee of our board of directors approved the general terms of the SL Green Realty Corp. 2011 Outperformance Plan, or the 2011 Outperformance Plan. Participants in the 2011 Outperformance Plan may earn, in the aggregate, up to \$85 million of LTIP Units in the Operating Partnership based on our total return to stockholders for the three-year period beginning September 1, 2011. Under the 2011 Outperformance Plan, participants will be entitled to share in a "performance pool" comprised of LTIP Units with a value equal to 10% of the amount, if any, by which our total return to stockholders during the three-year period exceeds a cumulative total return to stockholders of 25%, subject to the maximum of \$85 million of LTIP Units; provided that if maximum performance has been achieved, approximately one-third of each award may be earned at any time after the beginning of the second year and an additional approximately one-third of each award may

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be earned at any time after the beginning of the third year. LTIP Units earned under the 2011 Outperformance Plan will be subject to continued vesting requirements, with 50% of any awards earned vesting on August 31, 2014 and the remaining 50% vesting on August 31, 2015, subject to continued employment with us through such dates. Participants will not be entitled to distributions with respect to LTIP Units granted under the 2011 Outperformance Plan unless and until they are earned. If LTIP Units are earned, each participant will also be entitled to the distributions that would have been paid had the number of earned LTIP Units been issued at the beginning of the performance period, with such distributions being paid in the form of additional LTIP Units. Thereafter, distributions will be paid currently with respect to all earned LTIP Units, whether vested or unvested.

The cost of the 2011 Outperformance Plan (approximately \$26.1 million, subject to forfeitures) will be amortized into earnings through the final vesting period. We recorded compensation expense of approximately \$5.5 million and \$0.1 million during the years ended December 31, 2012 and 2011, respectively, related to the 2011 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 directors' termination of service from the Board of Directors or a change in control by us, as defined by the program. Phantom stock units are credited to each non-employee director quarterly using the closing price of our common stock on the applicable dividend record date for the respective quarter. Each participating non-employee director's account is also credited for an equivalent amount of phantom stock units based on the dividend rate for each quarter.

During the year ended December 31, 2012, approximately 8,307 phantom stock units were earned. As of December 31, 2012, there were approximately 75,156 phantom stock units outstanding.

Employee Stock Purchase Plan

On September 18, 2007, our board of directors adopted the 2008 Employee Stock Purchase Plan, or ESPP, to encourage our employees to increase their efforts to make our business more successful by providing equity-based incentives to eligible employees. The ESPP is intended to qualify as an "employee stock purchase plan" under Section 423 of the Code, and has been adopted by the board to enable our eligible employees to purchase our shares of common stock through payroll deductions. The ESPP became effective on January 1, 2008 with a maximum of 500,000 shares of the common stock available for issuance, subject to adjustment upon a merger, reorganization, stock split or other similar corporate change. We filed a registration statement on Form S-8 with the SEC with respect to the ESPP. The common stock is offered for purchase through a series of successive offering periods. Each offering period will be three months in duration and will begin on the first day of each calendar quarter, with the first offering period having commenced on January 1, 2008. The ESPP provides for eligible employees to purchase the common stock at a purchase price equal to 85% of the lesser of (1) the market value of the common stock on the first day of the offering period or (2) the market value of the common stock on the last day of the offering period. The ESPP was approved by our stockholders at our 2008 annual meeting of stockholders. As of December 31, 2012, approximately 66,323 shares of our common stock had been issued under the ESPP.

Table of Contents**Market Capitalization**

At December 31, 2012, borrowings under our mortgages and other loans payable, our 2012 credit facility, senior unsecured notes, trust preferred securities and our share of joint venture debt represented 53.1% of our combined market capitalization of approximately \$16.3 billion (based on a common stock price of \$76.65 per share, the closing price of our common stock on the NYSE on December 31, 2012). Market capitalization includes our consolidated debt, common and preferred stock and the conversion of all units of limited partnership interest in our Operating Partnership, and our share of joint venture debt.

Indebtedness

The table below summarizes our consolidated mortgages and other loans payable, our 2012 credit facility, senior unsecured notes and trust preferred securities outstanding at December 31, 2012 and 2011, respectively (amounts in thousands).

Debt Summary:	December 31,	
	2012	2011
Balance		
Fixed rate	\$ 4,884,354	\$ 4,802,009
Variable rate hedged	38,371	30,000
Total fixed rate	4,922,725	4,832,009
Variable rate	1,150,762	921,349
Variable rate supporting variable rate assets	446,933	341,138
Total variable rate	1,597,695	1,262,487
Total	\$ 6,520,420	\$ 6,094,496
Percent of Total Debt:		
Total fixed rate	75.5%	79.3%
Variable rate	24.5%	20.7%
Total	100.0%	100.0%
Effective Interest Rate for the Year:		
Fixed rate	5.78%	5.99%
Variable rate	2.89%	2.16%
Effective interest rate	5.08%	4.87%

The variable rate debt shown above generally bears interest at an interest rate based on 30-day LIBOR (0.21% and 0.30% at December 31, 2012 and 2011, respectively). Our consolidated debt at December 31, 2012 had a weighted average term to maturity of approximately 5.85 years.

Certain of our debt and preferred equity investments, with a face amount of approximately \$446.9 million, are variable rate investments which mitigate our exposure to interest rate changes on our unhedged variable rate debt at December 31, 2012.

Mortgage Financing

As of December 31, 2012, our total mortgage debt (excluding our share of joint venture debt of approximately \$2.1 billion) consisted of approximately \$3.5 billion of fixed rate debt, including hedged variable rate debt, with an effective weighted average interest rate of approximately 5.64% and approximately \$1.0 billion of variable rate debt with an effective weighted average interest rate of approximately 3.29%.

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Corporate Indebtedness

2012 Credit Facility

In November 2012, we entered into a \$1.6 billion credit facility, or the 2012 credit facility, which refinanced, extended and upsized the previous 2011 revolving credit facility. The 2012 credit facility consists of a \$1.2 billion revolving credit facility, or the revolving credit facility, and a \$400.0 million term loan, or the term loan facility. The revolving credit facility matures in March 2017 and includes two six-month extension options, subject to certain conditions and the payment of an extension fee of 10 basis points for each such extension. We also have an option, subject to customary conditions, without the consent of existing lenders, to increase the capacity under the revolving credit facility to \$1.5 billion at any time prior to the maturity date for the revolving credit facility, by obtaining additional commitments from our current lenders and other financial institutions. The term loan facility matures on March 30, 2018.

The 2012 credit facility bears interest at a spread over LIBOR ranging from (i) 100 basis points to 175 basis points for loans under the revolving credit facility and (ii) 115 basis points to 200 basis points for loans under the term loan facility, in each case based on the credit rating assigned to the senior unsecured long term indebtedness of ROP. At December 31, 2012, the applicable spread was 145 basis points for revolving credit facility and 165 basis points for the term loan facility. We are required to pay quarterly in arrears a 15 to 35 basis point fee on the unused balance of the commitments under the revolving credit facility. As of December 31, 2012, the facility fee was 30 basis points. At December 31, 2012, we had approximately \$79.5 million of outstanding letters of credit and \$70.0 million borrowings under the revolving credit facility and \$400.0 million outstanding under the term loan facility, with undrawn capacity of \$1.1 billion under the 2012 credit facility.

The Company, ROP and the Operating Partnership are all borrowers jointly and severally obligated under the 2012 credit facility. No other subsidiary of ours is an obligor under the 2012 credit facility.

The 2012 credit facility includes certain restrictions and covenants (see Restrictive Covenants below).

2011 Revolving Credit Facility

The 2012 credit facility replaced our \$1.5 billion revolving credit facility, or the 2011 revolving credit facility, which was terminated concurrently with the entering into the 2012 credit facility. The 2011 revolving credit facility bore interest at a spread over LIBOR ranging from 100 basis points to 185 basis points, based on the credit rating assigned to the senior unsecured long-term indebtedness of ROP, and required to pay quarterly in arrears a 17.5 to 45 basis point facility fee on the total commitments under the 2011 revolving credit facility. The 2011 revolving credit facility included certain restrictions and covenants and, as of the time of the termination of the 2011 revolving credit facility and as of November 2012, we were in compliance with all such restrictions and covenants.

2007 Revolving Credit Facility

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

Master Repurchase Agreement

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

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September 2013, and has a 1-year extension option. At December 31, 2012, we had approximately \$116.7 million outstanding under this facility, which is included in mortgage notes payable and loans.

Senior Unsecured Notes

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

Issuance	December 31, 2012 Unpaid Principal Balance	December 31, 2012 Accreted Balance	December 31, 2011 Accreted Balance	Coupon Rate ⁽¹⁾	Effective Rate	Term (in Years)	Maturity
March 26, 2007 ⁽²⁾	\$ 16,893	\$ 16,893	\$ 119,423	3.00%	3.00%	20	March 30, 2027
June 27, 2005 ⁽³⁾⁽⁴⁾	7	7	657	4.00%	4.00%	20	June 15, 2025
November 15, 2012 ⁽⁵⁾	200,000	200,000		4.50%	4.50%	10	December 1, 2022
March 16, 2010 ⁽⁵⁾	250,000	250,000	250,000	7.75%	7.75%	10	March 15, 2020
August 5, 2011 ⁽⁵⁾	250,000	249,620	249,565	5.00%	5.03%	7	August 15, 2018
October 12, 2010 ⁽⁶⁾	345,000	287,373	277,629	3.00%	7.13%	7	October 15, 2017
March 31, 2006 ⁽³⁾⁽⁷⁾	255,308	255,165	274,804	6.00%	6.02%	10	March 31, 2016
August 13, 2004 ⁽³⁾⁽⁷⁾	75,898	75,898	98,578	5.88%	5.88%	10	August 15, 2014
	\$ 1,393,106	\$ 1,334,956	\$ 1,270,656				

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

(2) In March 2007, the Operating Partnership issued \$750.0 million of these exchangeable notes. Interest on these notes is payable semi-annually on March 30 and September 30. The notes have an initial exchange rate representing an exchange price that was set at a 25.0% premium to the last reported sale price of our common stock on March 20, 2007, or \$173.30. The initial exchange rate is subject to adjustment under certain circumstances. The notes are senior unsecured obligations of the Operating Partnership and are exchangeable upon the occurrence of specified events and during the period beginning on the twenty-second scheduled trading day prior to the maturity date and ending on the second business day prior to the maturity date, into cash or a combination of cash and shares of our common stock, if any, at our option. The notes are currently redeemable at the Operating Partnership's option. The Operating Partnership may be required to repurchase the notes on March 30, 2017 and 2022, and upon the occurrence of certain designated events. On March 30, 2012, we repurchased \$102.2 million of aggregate principal amount of the exchangeable notes pursuant to a mandatory offer to repurchase the notes. On the issuance date, \$66.6 million was recorded in equity and was fully amortized as of March 31, 2012.

(3) Issued by ROP.

(4) Exchangeable senior debentures which are currently callable at par. In addition, the debentures can be put to ROP, at the option of the holder at par plus accrued and unpaid interest, on June 15, 2015 and 2020 and upon the occurrence of certain change of control transactions. As a result of the acquisition of all outstanding shares of common stock of Reckson, or the Reckson Merger, the adjusted exchange rate for the debentures is 7.7461 shares of our common stock per \$1,000 of principal amount of debentures and the adjusted reference dividend for the debentures is \$1.3491. During the year ended December 31, 2012, we repurchased \$650,000 of these bonds at par.

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

(6) In October 2010, the Operating Partnership issued \$345.0 million of these exchangeable notes. Interest on these notes is payable semi-annually on April 15 and October 15. The notes had an initial exchange rate representing an exchange price that was set at a 30.0% premium to the last reported sale price of our common stock on October 6, 2010, or \$85.81. The initial exchange rate is subject to adjustment under certain circumstances. The current exchange rate is 11.6800 shares of our common stock per \$1,000 principal amount of these notes. The notes are senior unsecured obligations of the Operating Partnership and are exchangeable upon the occurrence of specified events and during the period beginning on the twenty-second scheduled trading day prior to the maturity date and ending on the second business day prior to the maturity date, into cash or a combination of cash and shares of our common stock, if any, at our option. The notes are guaranteed by ROP. On the issuance date, \$78.3 million was recorded in equity. As of December 31, 2012, approximately \$57.6 million remained unamortized.

(7)

On December 27, 2012, we repurchased \$42.4 million aggregate principal amount of notes, consisting of \$22.7 million of the 5.875% Notes and \$19.7 million of the 6.0% Notes, for a total consideration of \$46.4 million and realized a net loss on early extinguishment of debt of approximately \$3.8 million.

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Junior Subordinate Deferrable Interest Debentures

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

Restrictive Covenants

The terms of the 2012 credit facility and certain of our senior unsecured notes include certain restrictions and covenants which may limit, among other things, our ability to pay dividends (as discussed below), make certain types of investments, incur additional indebtedness, incur liens and enter into negative pledge agreements and dispose of assets, and which require compliance with financial ratios relating to the minimum amount of tangible net worth, a maximum ratio of total indebtedness to total asset value, a minimum ratio of EBITDA to fixed charges, a maximum ratio of secured indebtedness to total asset value and a maximum ratio of unsecured indebtedness to unencumbered asset value. The dividend restriction referred to above provides that we will not during any time when a default is continuing, make distributions with respect to common stock or other equity interests, except to enable us to continue to qualify as a REIT for Federal income tax purposes. As of December 31, 2012 and 2011, we were in compliance with all such covenants.

Market Rate Risk

We are exposed to changes in interest rates primarily from our floating rate borrowing arrangements. We often use interest rate derivative instruments to manage exposure to interest rate changes. A hypothetical 100 basis point increase in interest rates along the entire interest rate curve for 2012 and 2011 would increase our annual interest cost by approximately \$15.4 million and \$12.3 million and would increase our share of joint venture annual interest cost by approximately \$8.5 million and \$4.8 million, respectively.

We recognize most 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 considered 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 \$4.9 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 variable rate joint venture debt as of December 31, 2012 was based on a spread of LIBOR plus 90 basis points to LIBOR plus 950 basis points.

Table of Contents**Contractual Obligations**

The combined aggregate principal maturities of mortgages and other loans payable, our 2012 credit facility, senior unsecured notes (net of discount), trust preferred securities, our share of joint venture debt, including as-of-right extension options, estimated interest expense (based on weighted average interest rates for the quarter), and our obligations under our capital lease and ground leases, as of December 31, 2012 are as follows (in thousands):

	2013	2014	2015	2016	2017	Thereafter	Total
Property mortgages and other loans	\$ 348,505	\$ 198,788	\$ 285,347	\$ 572,053	\$ 1,153,525	\$ 2,057,246	\$ 4,615,464
Revolving credit facility						70,000	70,000
Term loan and Trust preferred securities						500,000	500,000
Senior unsecured notes		75,898	7	255,165	304,266	699,620	1,334,956
Capital lease	1,555	1,705	1,743	1,857	2,007	99,828	108,695
Ground leases	37,431	37,531	37,757	38,315	38,561	1,480,791	1,670,386
Estimated interest expense	321,669	306,015	289,910	261,169	197,046	444,216	1,820,025
Joint venture debt	176,511	309,090	36,457	528,278	933,634	151,393	2,135,363
Total	\$ 885,671	\$ 929,027	\$ 651,221	\$ 1,656,837	\$ 2,629,039	\$ 5,503,094	\$ 12,254,889

Off-Balance Sheet Arrangements

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

Capital Expenditures

We estimate that for the year ending December 31, 2013, we expect to incur approximately \$167.1 million of capital expenditures which are net of loan reserves, (including tenant improvements and leasing commissions) on existing wholly-owned properties, and our share of capital expenditures at our joint venture properties, net of loan reserves, will be approximately \$44.9 million. We expect to fund these capital expenditures with operating cash flow, additional property level mortgage financings and cash on hand. Future property acquisitions may require substantial capital investments for refurbishment and leasing costs. We expect that these financing requirements will be met in a similar fashion. We believe that we will have sufficient resources to satisfy our capital needs during the next 12-month period. Thereafter, we expect our capital needs will be met through a combination of cash on hand, net cash provided by operations, borrowings, potential asset sales or additional equity or debt issuances.

Dividends

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

To maintain our qualification as a REIT, we must pay annual dividends to our stockholders of at least 90% of our REIT taxable income, determined before taking into consideration the dividends paid deduction and net

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capital gains. We intend to continue to pay regular quarterly dividends to our stockholders. Based on our current annual dividend rate of \$1.32 per share, we would pay approximately \$120.5 million in dividends to our common stockholders on an annual basis. Before we pay any dividend, whether for Federal income tax purposes or otherwise, which would only be paid out of available cash to the extent permitted under our unsecured revolving credit facility and senior unsecured notes, we must first meet both our operating requirements and scheduled debt service on our mortgages and loans payable.

Related Party Transactions

Cleaning/ Security/ Messenger and Restoration Services

Through Alliance Building Services, or Alliance, First Quality Maintenance, L.P., or First Quality, provides cleaning, extermination and related services, Classic Security LLC provides security services, Bright Star Couriers LLC provides messenger services, and Onyx Restoration Works provides restoration services with respect to certain properties owned by us. Alliance is partially owned by Gary Green, a son of Stephen L. Green, the chairman of our board of directors. In addition, First Quality has the non-exclusive opportunity to provide cleaning and related services to individual tenants at our properties on a basis separately negotiated with any tenant seeking such additional services. The Service Corporation has entered into an arrangement with Alliance whereby it will receive a profit participation above a certain threshold for services provided by Alliance to certain tenants at certain buildings above the base services specified in their lease agreements. Alliance paid the Service Corporation approximately \$4.0 million, \$2.7 million and \$2.2 million for the years ended December 31, 2012, 2011 and 2010 respectively. We paid Alliance approximately \$17.9 million, \$16.1 million and \$14.2 million for three years ended December 31, 2012, respectively, for these services (excluding services provided directly to tenants).

Marketing Services

A-List Marketing, LLC, or A-List, provides marketing services to us. Ms. Deena Wolff, a sister of Mr. Marc Holliday, is the owner of A-List. The aggregate amount of fees we paid to A-List for these marketing services was approximately \$155,500, \$140,300 and \$86,300 for the three years ended December 31, 2012, respectively.

Leases

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

Management Fees

S.L. Green Management Corp., a consolidated entity, receives property management fees from an entity in which Stephen L. Green owns an interest. The aggregate amount of fees paid to S.L. Green Management Corp. from such entity was approximately \$384,900, \$420,300 and \$390,700 for the three years ended December 31, 2012, respectively.

Gramercy Capital Corp.

Our related party transactions with Gramercy are discussed in Note 6, "Investment in Unconsolidated Ventures Gramercy Capital Corp.," in the accompanying financial statements.

Insurance

We maintain "all-risk" property and rental value coverage (including coverage regarding the perils of flood, earthquake and terrorism) within two property insurance portfolios and liability insurance. As of December 31, 2012, the first property portfolio maintains a blanket limit of \$775.0 million per occurrence, including terrorism,

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for the majority of the New York City properties in our portfolio. The second portfolio maintains a limit of \$750.0 million per occurrence, including terrorism, for some New York City properties and the majority of the Suburban properties. Both policies expire on December 31, 2013. Each policy includes \$100.0 million of flood coverage, with a lower sublimit for locations in high hazard flood zones. We maintain liability policies which cover all our properties and provide limits of \$201.0 million per occurrence and in the aggregate per location. The liability policies expire on October 31, 2013. Additional coverage may be purchased on a stand-alone basis for certain assets.

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

Terrorism: Belmont acts as a direct property insurer with respect to a portion of our terrorism coverage for the New York City properties. Belmont has a terrorism coverage limit of \$650 million in a layer in excess of \$100.0 million. In addition Belmont purchased reinsurance to reinsure the retained insurable risk not otherwise covered under Terrorism Risk Insurance Program Reauthorization and Extension Act of 2007, or TRIPRA, as detailed below.

NBCR: Belmont has acted as a direct insurer of NBCR and since December 31, 2011, has provided coverage up to \$750 million on our entire property portfolio for certified acts of terrorism above a program trigger of \$100.0 million. Belmont is responsible for a small deductible and 15% of a loss, with the remaining 85% covered by the Federal government.

General Liability: For the period commencing October 31, 2010, Belmont insures a retention on the general liability insurance of \$150,000 per occurrence and a \$2.1 million annual aggregate stop loss limit. We have secured excess insurance to protect against catastrophic liability losses above the \$150,000 retention. Prior policy years carried a higher per occurrence deductible and/or higher aggregate stop loss. Belmont has retained a third party administrator to manage all claims within the retention and we anticipate that direct management of liability claims will improve loss experience and ultimately lower the cost of liability insurance in future years. In addition, we have an umbrella liability policy of \$200.0 million per occurrence and in the aggregate on a per location basis.

Environmental Liability: Belmont insures a deductible of \$975,000 per occurrence in excess of \$25,000 on a \$25 million per occurrence and \$30 million aggregate environmental liability policy covering the entire portfolio.

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

The Terrorism Risk Insurance Act, or TRIA, which was enacted in November 2002, was renewed on December 31, 2007. Congress extended TRIA, now called TRIPRA (Terrorism Risk Insurance Program Reauthorization and Extension Act of 2007) until December 31, 2014. The law extends the federal Terrorism Insurance Program that requires insurance companies to offer terrorism coverage and provides for compensation for insured losses resulting from acts of certified terrorism, subject to the current program trigger of \$100.0 million. There is no assurance that TRIPRA will be extended. Our debt instruments, consisting of mortgage loans secured by our properties (which are generally non-recourse to us), mezzanine loans, ground leases, our 2012 credit facility, senior unsecured notes and other corporate obligations, contain customary covenants requiring us to maintain insurance. Although we believe that we currently maintain sufficient insurance coverage to satisfy these obligations, there is no assurance that in the future we will be able to procure coverage at a reasonable cost.

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In such instances, there can be no assurance that the lenders or ground lessors under these instruments will not take the position that a total or partial exclusion from "all-risk" insurance coverage for losses due to terrorist acts is a breach of these debt and ground lease instruments allowing the lenders or ground lessors to declare an event of default and accelerate repayment of debt or recapture of ground lease positions. In addition, if lenders prevail in asserting that we are required to maintain full coverage for these risks, it could result in substantially higher insurance premiums.

We monitor all properties that are subject to triple net leases to ensure that tenants are providing adequate coverage. Certain joint ventures may be covered under policies separate from our policies, at coverage limits which we deem to be adequate. We continually monitor these policies. Although we consider our insurance coverage to be appropriate, in the event of a major catastrophe, such as an act of terrorism, we may not have sufficient coverage to replace certain properties.

Funds from Operations

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

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

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FFO for the years ended December 31, 2012, 2011 and 2010 are as follows (in thousands):

	Year Ended December 31,		
	2012	2011	2010
Net income attributable to SL Green common stockholders	\$ 155,984	\$ 617,232	\$ 270,826
Add:			
Depreciation and amortization	332,028	277,345	225,193
Discontinued operations depreciation adjustments	82	676	5,326
Unconsolidated joint ventures depreciation and noncontrolling interest adjustments	35,593	31,179	32,163
Net income attributable to noncontrolling interests	11,188	29,712	18,581
Depreciable real estate reserves		5,789	2,750
Gain on investment in marketable securities			(397)
Less:			
Gain on sale of discontinued operations	6,627	46,085	35,485
Equity in net gain on sale of joint venture property/ interest	37,053	2,918	128,921
Purchase price fair value adjustment		498,195	
Depreciation on non-rental real estate assets	940	922	875
 Funds from Operations	 \$ 490,255	 \$ 413,813	 \$ 389,161
Cash flows provided by operating activities	\$ 353,743	\$ 312,860	\$ 321,058
Cash flows (used in) provided by investing activities	\$ (1,170,393)	\$ (739,597)	\$ 18,815
Cash flows provided by (used in) financing activities	\$ 868,442	\$ 232,099	\$ (350,758)

Inflation

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

Accounting Standards Updates

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

Forward-Looking Information

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

Forward-looking statements are not guarantees of future performance and actual results or developments may differ materially, and we caution you not to place undue reliance on such statements. Forward-looking statements are generally identifiable by the use of the words "may," "will," "should," "expect," "anticipate," "estimate," "believe," "intend," "project," "continue," or the negative of these words, or other similar words or terms.

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

the effect of general economic, business and financial conditions, and their effect on the New York metropolitan real estate market in particular;

dependence upon certain geographic markets;

risks of real estate acquisitions, dispositions and developments, including the cost of construction delays and cost overruns;

risks relating to debt and preferred equity investments;

availability and creditworthiness of prospective tenants and borrowers;

bankruptcy or insolvency of a major tenant or a significant number of smaller tenants;

adverse changes in the real estate markets, including reduced demand for office space, increasing vacancy, and increasing availability of sublease space;

availability of capital (debt and equity);

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

our ability to comply with financial covenants in our debt instruments;

our ability to maintain our status as a REIT;

risks of investing through joint venture structures, including the fulfillment by our partners of their financial obligations;

the continuing threat of terrorist attacks, in particular in the New York Metropolitan area and on our tenants;

our ability to obtain adequate insurance coverage at a reasonable cost and the potential for losses in excess of our insurance coverage, including as a result of environmental contamination; and

legislative, regulatory and/or safety requirements adversely affecting REITs and the real estate business, including costs of compliance with the Americans with Disabilities Act, the Fair Housing Act and other similar laws and regulations.

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

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ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK

See Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations Market Rate Risk" for additional information regarding our exposure to interest rate fluctuations.

The table below presents the principal cash flows based upon maturity dates of our debt obligations and debt and preferred equity investments and the related weighted-average interest rates by expected maturity dates, including as-of-right extension options, as of December 31, 2012 (in thousands):

Date	Long-Term Debt				Debt and Preferred Equity Investments ⁽¹⁾	
	Fixed Rate	Average Interest Rate	Variable Rate	Average Interest Rate	Amount	Weighted Yield
2013	\$ 215,437	5.76%	\$ 133,067	2.89%	\$ 229,593	11.20%
2014	257,856	5.78	16,829	2.86	591,189	10.06
2015	268,261	5.78	17,093	2.85	138,968	9.22
2016	569,582	5.75	257,636	2.86	268,149	9.25
2017	1,446,888	5.72	10,904	2.95	125,804	8.88
Thereafter	2,164,701	5.18	1,162,166	2.99	3,500	7.09
Total	\$ 4,922,725	5.44%	\$ 1,597,695	2.90%	\$ 1,357,203	9.89%
Fair Value	\$ 5,334,244		\$ 1,577,494			

(1) Our debt and preferred equity investments had an estimated fair value ranging between \$1.3 billion and \$1.4 billion at December 31, 2012.

The table below presents the principal cash flows based upon maturity dates of our share of our joint venture debt obligations and the related weighted-average interest rates by expected maturity dates as of December 31, 2012 (in thousands):

Date	Long Term Debt			
	Fixed Rate	Average Interest Rate	Variable Rate	Average Interest Rate
2013	\$ 19,025	5.27%	\$ 157,486	3.23%
2014	107,983	5.24	201,108	3.12
2015	3,068	5.17	33,389	2.70
2016	398,830	4.95	129,448	2.42
2017	664,580	4.44	269,054	2.33
Thereafter	64,901	7.47	86,491	2.80
Total	\$ 1,258,387	5.46%	\$ 876,976	2.92%
Fair Value	\$ 1,195,179		\$ 836,294	

The table below lists all of our derivative instruments, which are hedging variable rate debt, excluding joint ventures, and their related fair value as of December 31, 2012 (in thousands):

	Asset Hedged	Benchmark Rate	Notional Value	Strike Rate	Effective Date	Expiration Date	Fair Value
Interest Rate Cap	Mortgage	LIBOR	775,000	3.650%	4/2012	4/2013	
Interest Rate Cap	Mortgage	LIBOR	475,000	6.000%	3/2012	3/2013	
Interest Rate Cap	Mortgage	LIBOR	271,912	6.000%	11/2012	11/2013	
Interest Rate Swap	Revolving credit facility	LIBOR	30,000	2.295%	7/2010	6/2016	(1,881)

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Interest Rate Swap	Mortgage	LIBOR	8,500	0.740%	2/2012	2/2015	(78)
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Total Consolidated Hedges \$ (1,959)

In addition to these derivative instruments, some of our joint venture loan agreements require the joint venture to purchase interest rate caps on its debt. All such interest rate caps had no value at December 31, 2012. We had also hedged certain floating rate debt at a joint venture. These hedges represented an obligation of approximately \$33.2 million at December 31, 2012.

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ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

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All other schedules are omitted because they are not required or the required information is shown in the financial statements or notes thereto.

The consolidated financial statements of 1515 Broadway Realty Corp.

Consolidated Financial Statements and Report of Ernst & Young LLP Independent Registered Public Accounting Firm for 1515 Broadway Realty Corp.

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Report of Independent Registered Public Accounting Firm

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

We have audited the accompanying consolidated balance sheets of SL Green Realty Corp. (the "Company") as of December 31, 2012 and 2011, and the related consolidated statements of income and comprehensive income, equity and cash flows for each of the three years in the period ended December 31, 2012. Our audits also included the financial statement schedules listed in the Index at Item 15(a)(2). These financial statements and schedules are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and schedules based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Company at December 31, 2012 and 2011, and the consolidated results of their operations and their cash flows for each of the three years in the period ended December 31, 2012, in conformity with U.S. generally accepted accounting principles. Also, in our opinion, the related financial statement schedules, when considered in relation to the basic financial statements taken as a whole, present fairly in all material respects the information set forth therein.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Company's internal control over financial reporting as of December 31, 2012, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated February 27, 2013, expressed an unqualified opinion thereon.

/s/Ernst & Young LLP

New York, New York
February 27, 2013

Table of Contents**SL Green Realty Corp.****Consolidated Balance Sheets****(Amounts in thousands, except per share data)**

	December 31, 2012	December 31, 2011
Assets		
Commercial real estate properties, at cost:		
Land and land interests	\$ 2,886,099	\$ 2,684,626
Building and improvements	7,389,766	7,147,527
Building leasehold and improvements	1,346,748	1,302,790
Properties under capital lease	40,340	12,208
	11,662,953	11,147,151
Less: accumulated depreciation	(1,393,323)	(1,136,603)
	10,269,630	10,010,548
Assets held for sale	4,901	76,562
Cash and cash equivalents	189,984	138,192
Restricted cash	136,071	86,584
Investment in marketable securities	21,429	25,323
Tenant and other receivables, net of allowance of \$21,652 and \$16,772 in 2012 and 2011, respectively	48,544	32,107
Related party receivables	7,531	4,001
Deferred rents receivable, net of allowance of \$29,580 and \$29,156 in 2012 and 2011, respectively	340,747	281,974
Debt and preferred equity investments, net of discount of \$13,572 and \$24,996 and allowance of \$7,000 and \$50,175 in 2012 and 2011, respectively	1,357,203	985,942
Investments in unconsolidated joint ventures	1,032,243	893,933
Deferred costs, net	261,145	210,786
Other assets	718,326	737,900
Total assets	\$ 14,387,754	\$ 13,483,852
Liabilities		
Mortgages and other loans payable	\$ 4,615,464	\$ 4,314,741
Revolving credit facility	70,000	350,000
Term loan and senior unsecured notes	1,734,956	1,270,656
Accrued interest payable and other liabilities	73,769	126,135
Accounts payable and accrued expenses	159,598	142,428
Deferred revenue/gains	321,764	357,193
Capitalized lease obligations	37,518	17,112
Deferred land leases payable	20,897	18,495
Dividend and distributions payable	37,839	28,398
Security deposits	46,253	46,367
Liabilities related to assets held for sale	136	61,988
Junior subordinate deferrable interest debentures held by trusts that issued trust preferred securities	100,000	100,000
Total liabilities	7,218,194	6,833,513
Commitments and contingencies		
Noncontrolling interests in operating partnership	212,907	195,030
Series H preferred units, \$0.01 par value, \$25.00 liquidation preference, 80 issued and outstanding at December 31, 2012 and 2011, respectively	2,000	2,000
Series G preferred units, \$0.01 par value, \$25.00 liquidation preference, 1,902 issued and outstanding at December 31, 2012	47,550	
Equity		
SL Green stockholders equity:		
Series C preferred stock, \$0.01 par value, \$25.00 liquidation preference, 7,700 and 11,700 issued and outstanding at December 31, 2012 and 2011, respectively	180,340	274,022
Series D preferred stock, \$0.01 par value, \$25.00 liquidation preference, none and 4,000 issued and outstanding at December 31, 2012 and 2011, respectively		96,321

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Series I preferred stock, \$0.01 par value, \$25.00 liquidation preference, 9,200 issued and outstanding at December 31, 2012	221,965	
Common stock, \$0.01 par value, 160,000 shares authorized and 94,896 and 89,210 issued and outstanding at December 31, 2012 and 2011, respectively (including 3,646 and 3,427 shares at December 31, 2012 and 2011 held in Treasury, respectively)	950	892
Additional paid-in-capital	4,667,900	4,236,959
Treasury stock at cost	(322,858)	(308,708)
Accumulated other comprehensive loss	(29,587)	(28,445)
Retained earnings	1,701,092	1,704,506
Total SL Green stockholders' equity	6,419,802	5,975,547
Noncontrolling interests in other partnerships	487,301	477,762
Total equity	6,907,103	6,453,309
Total liabilities and equity	\$ 14,387,754	\$ 13,483,852

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

Table of Contents**SL Green Realty Corp.****Consolidated Statements of Income****(Amounts in thousands, except per share data)**

	Year Ended December 31,		
	2012	2011	2010
Revenues			
Rental revenue, net	\$ 1,077,976	\$ 961,935	\$ 782,530
Escalation and reimbursement	167,388	145,596	118,212
Investment and preferred equity income	119,155	120,418	147,926
Other income	35,736	35,479	35,718
Total revenues	1,400,255	1,263,428	1,084,386
Expenses			
Operating expenses (including \$18,101 (2012), \$16,266 (2011) and \$14,320 (2010) paid to related parties)	298,322	263,709	224,693
Real estate taxes	210,467	174,454	145,830
Ground rent	37,866	32,919	31,191
Interest expense, net of interest income	330,569	285,917	230,648
Amortization of deferred financing costs	19,450	14,118	9,046
Depreciation and amortization	332,028	277,345	225,193
Loan loss and other investment reserves, net of recoveries	564	6,722	17,751
Transaction related costs	5,625	5,561	11,849
Marketing, general and administrative	82,840	80,103	75,946
Total expenses	1,317,731	1,140,848	972,147
Income from continuing operations before equity in net income of unconsolidated joint ventures, gains on sale, purchase price fair value adjustment, depreciable real estate reserves, gain (loss) on early extinguishment of debt, noncontrolling interests and discontinued operations	82,524	122,580	112,239
Equity in net income from unconsolidated joint ventures	76,418	1,583	39,607
Equity in net gain on sale of interest in unconsolidated joint venture/ real estate	37,053	2,918	128,921
Purchase price fair value adjustment		498,195	
Gain on sale of investment in marketable securities	4,940	4,866	490
Depreciable real estate reserves		(5,789)	(2,750)
Gain (loss) on early extinguishment of debt	(6,978)	904	(1,900)
Income from continuing operations	193,957	625,257	276,607
Net income from discontinued operations	9,116	5,780	7,064
Gain on sale of discontinued operations	6,627	46,085	35,485
Net income	209,700	677,122	319,156
Net income attributable to noncontrolling interests:			
Noncontrolling interests in the operating partnership	(5,597)	(14,629)	(4,574)
Noncontrolling interests in other partnerships	(5,591)	(15,083)	(14,007)
Preferred units distribution	(2,107)		
Net income attributable to SL Green	196,405	647,410	300,575
Preferred stock redemption costs	(10,010)		
Preferred stock dividends	(30,411)	(30,178)	(29,749)
Net income attributable to SL Green common stockholders	\$ 155,984	\$ 617,232	\$ 270,826
Amounts attributable to SL Green common stockholders:			
Income from continuing operations	\$ 105,019	\$ 65,523	\$ 102,208
Purchase price fair value adjustment		498,195	
Gain on sale of unconsolidated joint ventures/ real estate	35,769	2,850	126,778

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Net income from discontinued operations	8,799	5,646	6,946
Gain on sale of discontinued operations	6,397	45,018	34,894
Net income	\$ 155,984	\$ 617,232	\$ 270,826
Basic earnings per share:			
Net income from continuing operations before gains on sale and discontinued operations	\$ 1.18	\$ 6.73	\$ 1.31
Equity in net gain on sale of interest in unconsolidated joint venture/real estate	0.40	0.03	1.62
Net income from discontinued operations	0.10	0.07	0.09
Gain on sale of discontinued operations	0.07	0.54	0.45
Net income attributable to SL Green common stockholders	\$ 1.75	\$ 7.37	\$ 3.47
Diluted earnings per share:			
Net income from continuing operations before gains on sale and discontinued operations	\$ 1.17	\$ 6.70	\$ 1.30
Equity in net gain on sale of interest in unconsolidated joint venture/real estate	0.40	0.03	1.62
Net income from discontinued operations	0.10	0.07	0.09
Gain on sale of discontinued operations	0.07	0.53	0.44
Net income attributable to SL Green common stockholders	\$ 1.74	\$ 7.33	\$ 3.45
Basic weighted average common shares outstanding	89,319	83,762	78,101
Diluted weighted average common shares and common share equivalents outstanding	92,873	86,244	79,761

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

Table of Contents**SL Green Realty Corp.****Consolidated Statements of Comprehensive Income**

(Amounts in thousands)

	Year Ended December 31,		
	2012	2011	2010
Net income	\$ 209,700	\$ 677,122	\$ 319,156
Other comprehensive income (loss):			
Net unrealized gain (loss) on derivative instruments	953	(4,145)	(3,938)
SL Green's share of joint venture net unrealized gain on derivative instruments	1,174	799	269
Unrealized gain (loss) on marketable securities	(3,657)	(2,731)	13,487
Other comprehensive income (loss)	(1,530)	(6,077)	9,818
Comprehensive income	208,170	671,045	328,974
Net income attributable to noncontrolling interests	(13,295)	(29,712)	(18,581)
Other comprehensive loss attributable to noncontrolling interests	388	291	1,061
Preferred stock redemption costs	(10,010)		
Comprehensive income attributable to SL Green	\$ 185,253	\$ 641,624	\$ 311,454

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SL Green Realty Corp.

Consolidated Statements of Equity

(Amounts in thousands, except per share data)

	Common Stock			SL Green Realty Corp. Stockholders			Accumulated Other Comprehensive				
	Series C Preferred Stock	Series D Preferred Stock	Series I Preferred Stock	Shares	Par Value	Additional Paid- In-Capital	Treasury Stock	Income (Loss)	Retained Earnings	Noncontrolling Interests	Total
Balance at December 31, 2009	\$ 151,981	\$ 96,321	\$	77,515	\$ 809	\$ 3,525,901	\$ (302,705)	\$ (33,538)	\$ 949,669	\$ 524,691	\$ 4,913,129
Net income									300,575	14,007	314,582
Other comprehensive income:								10,879			10,879
Preferred dividends									(29,749)		(29,749)
Redemption of units and DRIP proceeds				470	5	23,339					23,344
Reallocation of noncontrolling interest in the operating partnership									(18,948)		(18,948)
Deferred compensation plan and stock award, net				212	2	535	(517)				20
Amortization of deferred compensation plan						31,741					31,741
Deconsolidation of real estate investments									3,011	(9,532)	(6,521)
Equity component of convertible notes						76,039					76,039
Net proceeds from preferred stock offering	122,041										122,041
Proceeds from stock options exercised				110	1	3,287					3,288
Cash contributions from noncontrolling interests										2,788	2,788
Cash distributions to noncontrolling interests										(13,494)	(13,494)
Cash distribution declared (\$0.40 per common share of which none represented a return of capital for federal income tax purposes)									(31,595)		(31,595)
Balance at December 31, 2010	274,022	96,321		78,307	817	3,660,842	(303,222)	(22,659)	1,172,963	518,460	5,397,544
Net income									647,410	15,083	662,493
Other comprehensive income:								(5,786)			(5,786)
Preferred dividends									(30,178)		(30,178)
Redemption of units and DRIP proceeds				13		898					898
Reallocation of noncontrolling interest in the operating partnership									(39,040)		(39,040)
Deferred compensation plan and stock award, net				262	3	696	(5,486)				(4,787)
Amortization of deferred compensation plan						33,252					33,252
Proceeds from issuance of common stock				6,957	70	531,236					531,306
Proceeds from stock options exercised				244	2	10,035					10,037
									87,798		87,798

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Consolidation of joint venture interest											
Cash distributions to noncontrolling interests									(143,579)	(143,579)	
Cash distribution declared (\$0.55 per common share, none of which represented a return of capital for federal income tax purposes)									(46,649)	(46,649)	
Balance at December 31, 2011	274,022	96,321	85,783	892	4,236,959	(308,708)	(28,445)	1,704,506	477,762	6,453,309	
Net income								196,405	5,591	201,996	
Other comprehensive income							(1,142)			(1,142)	
Preferred dividends								(30,411)		(30,411)	
DRIP proceeds			1,305	13	99,557					99,570	
Conversion of units of the Operating Partnership to common stock			1,096	11	87,502					87,513	
Redemption of preferred stock	(93,682)	(96,321)						(10,010)		(200,013)	
Reallocation of noncontrolling interest in the operating partnership								(61,238)		(61,238)	
Deferred compensation plan and stock award, net			43	3	719	(14,150)				(13,428)	
Amortization of deferred compensation plan					28,742					28,742	
Net proceeds from preferred stock offering		221,965								221,965	
Proceeds from issuance of common stock			2,640	27	201,252					201,279	
Proceeds from stock options exercised			383	4	13,169					13,173	
Consolidation of joint venture interest									25,894	25,894	
Cash distributions to noncontrolling interests									(21,946)	(21,946)	
Cash distribution declared (\$1.08 per common share, none of which represented a return of capital for federal income tax purposes)									(98,160)	(98,160)	
Balance at December 31, 2012	\$ 180,340	\$ 221,965	91,250	\$ 950	\$ 4,667,900	\$ (322,858)	\$ (29,587)	\$ 1,701,092	\$ 487,301	\$ 6,907,103	

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

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SL Green Realty Corp.

Consolidated Statements of Cash Flows

(Amounts in thousands, except per share data)

	Year Ended December 31,		
	2012	2011	2010
Operating Activities			
Net income	\$ 209,700	\$ 677,122	\$ 319,156
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	351,539	292,311	240,445
Equity in net income from unconsolidated joint ventures	(76,418)	(1,583)	(39,607)
Distributions of cumulative earnings from unconsolidated joint ventures	91,145	11,185	27,472
Equity in net gain on sale of interest in unconsolidated joint venture interest/ real estate	(37,053)	(2,918)	(128,921)
Purchase price fair value adjustment		(498,195)	
Depreciable real estate reserves		5,789	2,750
Gain on sale of discontinued operations	(6,627)	(46,085)	(35,485)
Gain on sale of debt securities		(19,840)	
Loan loss and other investment reserves, net of recoveries	564	6,722	17,751
Gain on sale of investments in marketable securities	(4,940)	(4,866)	(490)
(Gain) loss on early extinguishment of debt	6,978	(904)	1,900
Deferred rents receivable	(66,079)	(87,230)	(47,223)
Other non-cash adjustments	(15,229)	2,385	(749)
Changes in operating assets and liabilities:			
Restricted cash operations	(13,812)	(681)	4,513
Tenant and other receivables	(10,998)	(4,720)	271
Related party receivables	(3,529)	2,461	2,398
Deferred lease costs	(48,368)	(38,412)	(42,035)
Other assets	(35,932)	4,029	4,860
Accounts payable, accrued expenses and other liabilities	9,389	10,704	(3,706)
Deferred revenue and land leases payable	3,413	5,586	(2,242)
Net cash provided by operating activities	353,743	312,860	321,058
Investing Activities			
Acquisitions of real estate property	(544,568)	(446,756)	(270,614)
Additions to land, buildings and improvements	(148,148)	(159,100)	(108,145)
Escrowed cash capital improvements/acquisition deposits	(70,080)	29,281	(40,215)
Investments in unconsolidated joint ventures	(215,174)	(109,920)	(87,844)
Distributions in excess of cumulative earnings from unconsolidated joint ventures	127,876	112,359	52,920
Net proceeds from disposition of real estate/joint venture interest	178,485	160,548	623,121
Other investments	(32,413)	12,186	32,607
Debt and preferred equity and other investments, net of repayments/participations	(466,371)	(338,195)	(183,015)
Net cash (used in) provided by investing activities	(1,170,393)	(739,597)	18,815
Financing Activities			
Proceeds from mortgages and other loans payable	1,230,167	826,000	168,360
Repayments of mortgages and other loans payable	(688,065)	(765,378)	(149,832)
Proceeds from revolving credit facility and senior unsecured notes	1,751,480	1,901,068	670,992
Repayments of revolving credit facility and senior unsecured notes	(1,581,554)	(2,043,144)	(1,046,626)
Proceeds from stock options exercised and DRIP issuance	112,743	10,211	14,535
Net proceeds from sale of common stock	201,279	516,168	
Net proceeds from sale of preferred stock	221,965		122,041
Redemption of preferred stock	(200,013)		
Purchases of treasury stock	(14,150)	(5,486)	
Distributions to noncontrolling interests in other partnerships	(21,946)	(143,578)	(13,489)
Contributions from noncontrolling interests in other partnerships	25,894		2,788
Redemption of noncontrolling interests in operating partnership			(13,012)
Distributions to noncontrolling interests in operating partnership	(3,296)	(727)	(511)

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Dividends paid on common and preferred stock	(121,238)	(63,866)	(58,984)
Other obligations related to mortgage loan participations	5,000	35,850	
Deferred loan costs and capitalized lease obligation	(49,824)	(35,019)	(47,020)
Net cash provided by (used in) financing activities	868,442	232,099	(350,758)
Net increase (decrease) in cash and cash equivalents	51,792	(194,638)	(10,885)
Cash and cash equivalents at beginning of period	138,192	332,830	343,715
Cash and cash equivalents at end of period	\$ 189,984	\$ 138,192	\$ 332,830

Supplemental cash flow disclosures

Interest paid	\$ 320,849	\$ 275,106	\$ 222,904
Income taxes paid	\$ 17	\$ 138	\$ 1,041

In December 2012, 2011 and 2010, the Company declared quarterly distributions per share of \$0.33, \$0.25 and \$0.10, respectively. These distributions were paid in January 2013, 2012 and 2011, respectively.

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

Table of Contents**SL Green Realty Corp.****Notes to Consolidated Financial Statements****December 31, 2012****1. Organization and Basis of Presentation**

SL Green Realty Corp., which is referred to as the Company or SL Green, a Maryland corporation, and SL Green Operating Partnership, L.P., which is referred to as SLGOP or the Operating Partnership, a Delaware limited partnership, were formed in June 1997 for the purpose of combining the commercial real estate business of S.L. Green Properties, Inc. and its affiliated partnerships and entities. The Operating Partnership received a contribution of interest in the real estate properties, as well as 95% of the economic interest in the management, leasing and construction companies which are referred to as the Service Corporation, a consolidated variable interest entity. All of the management, leasing and construction services with respect to the properties which are wholly-owned by us are conducted through SL Green Management LLC which is 100% owned by our Operating Partnership. The Company has qualified, and expects to qualify in the current fiscal year, as a real estate investment trust, or REIT, under the Internal Revenue Code of 1986, as amended, or the Code, and operates as a self-administered, self-managed REIT. A REIT is a legal entity that holds real estate interests and, through payments of dividends to stockholders, is permitted to minimize the payment of Federal income taxes at the corporate level. Unless the context requires otherwise, all references to "we," "our" and "us" means the Company and all entities owned or controlled by the Company, including the Operating Partnership.

Substantially all of our assets are held by, and our operations are conducted through, the Operating Partnership. The Company is the sole managing general partner of the Operating Partnership. As of December 31, 2012, noncontrolling investors held, in the aggregate, a 2.94% limited partnership interest in the Operating Partnership. We refer to these interests as the noncontrolling interests in the Operating Partnership. See Note 14, "Noncontrolling Interests in Operating Partnership."

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

As of December 31, 2012, we owned the following interests in commercial office properties in the New York Metropolitan area, primarily in midtown Manhattan, a borough of New York City. Our investments in the New York Metropolitan area also include investments in Brooklyn, Long Island, Westchester County, Connecticut and Northern New Jersey, which are collectively known as the Suburban assets:

Location	Ownership	Number of Properties	Square Feet	Weighted Average Occupancy ⁽¹⁾
Manhattan	Consolidated properties	27	18,347,945	93.8%
	Unconsolidated properties	9	5,934,434	95.0%
Suburban	Consolidated properties	25	3,863,000	79.9%
	Unconsolidated properties	5	1,539,700	84.7%
		66	29,685,079	91.7%

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

As of December 31, 2012, we also owned investments in 15 stand-alone retail properties encompassing approximately 473,764 square feet, 16 development properties encompassing approximately 2,617,491 square feet, two residential properties encompassing 385 units (approximately 430,482 square feet), two land interests and 31 west coast office properties encompassing approximately 4,473,603 square feet. In addition, we manage two office properties owned by third parties and affiliated companies encompassing approximately 626,415 rentable

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SL Green Realty Corp.

Notes to Consolidated Financial Statements (Continued)

December 31, 2012

1. Organization and Basis of Presentation (Continued)

square feet. As of December 31, 2012, we also held debt and preferred equity investments with a book value of \$1.4 billion.

Partnership Agreement

In accordance with the partnership agreement of the Operating Partnership, or the Operating Partnership agreement, we allocate all distributions and profits and losses in proportion to the percentage ownership interests of the respective partners. As the managing general partner of the Operating Partnership, we are required to take such reasonable efforts, as determined by us in our sole discretion, to cause the Operating Partnership to distribute sufficient amounts to enable the payment of sufficient dividends by us to minimize any Federal income or excise tax at the Company level. Under the Operating Partnership agreement, each limited partner has the right to redeem units of limited partnership interests for cash, or if we so elect, shares of our common stock on a one-for-one basis.

2. Significant Accounting Policies

Principles of Consolidation

The consolidated financial statements include our accounts and those of our subsidiaries, which are wholly-owned or controlled by us. Entities which we do not control through our voting interest and entities which are variable interest entities, but where we are not the primary beneficiary, are accounted for under the equity method or as debt and preferred equity investments. See Note 5, "Debt and Preferred Equity Investments" and Note 6, "Investments in Unconsolidated Joint Ventures." All significant intercompany balances and transactions have been eliminated.

We consolidate a variable interest entity, or VIE, in which we are considered a primary beneficiary. The primary beneficiary is the entity that has (i) the power to direct the activities that most significantly impact the entity's economic performance and (ii) the obligation to absorb losses of the VIE or the right to receive benefits from the VIE that could be significant to the VIE. Included in commercial real estate properties on our consolidated balance sheets for the years ended December 31, 2012 and 2011 are approximately \$607.4 million and \$446.4 million, respectively, related to our consolidated VIEs. Included in mortgages and other loans payable on our consolidated balance sheets for the years ended December 31, 2012 and 2011 are approximately \$379.6 million and \$279.3 million, respectively, related to our consolidated VIEs.

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

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

Table of Contents**SL Green Realty Corp.****Notes to Consolidated Financial Statements (Continued)****December 31, 2012****2. Significant Accounting Policies (Continued)**

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

Investment in Commercial Real Estate Properties

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

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

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

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

Depreciation expense (including amortization of the capital lease asset) amounted to approximately \$306.8 million, \$254.5 million and \$207.1 million for the years ended December 31, 2012, 2011 and 2010, respectively.

On a periodic basis, we assess whether there are any indications that the value of our real estate properties may be impaired or that their carrying value may not be recoverable. A property's value is considered impaired if management's estimate of the aggregate future cash flows (undiscounted and without interest charges for consolidated properties) to be generated by the property is less than the carrying value of the property. To the extent impairment has occurred, the loss will be measured as the excess of the carrying amount of the property over the calculated fair value of the property. In addition, we assess our investments in unconsolidated joint ventures for recoverability, and if it is determined that a loss in value of the investment is other than temporary, we write down the investment to its fair value. We evaluate our equity investments for impairment based on the joint venture's projected discounted cash flows. During 2010, we recorded a \$2.8 million impairment charge on one of our equity investments. During 2011, we recorded a \$5.8 million impairment charge in connection with the expected sale of one of our equity investments. These charges are included in depreciable real estate reserves in the consolidated statements of income. See Note 6, "Investments in Unconsolidated Joint Ventures." We do not

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SL Green Realty Corp.

Notes to Consolidated Financial Statements (Continued)

December 31, 2012

2. Significant Accounting Policies (Continued)

believe that the values of any of our consolidated properties or equity investments were impaired at December 31, 2012.

A variety of costs are incurred in the development and leasing of our properties. After determination is made to capitalize a cost, it is allocated to the specific component of a project that is benefited. Determination of when a development project is substantially complete and capitalization must cease involves a degree of judgment. The costs of land and building under development include specifically identifiable costs. The capitalized costs include, but are not limited to, pre-construction costs essential to the development of the property, development costs, construction costs, interest costs, real estate taxes, salaries and related costs and other costs incurred during the period of development. We consider a construction project as substantially completed and held available for occupancy upon the completion of tenant improvements, but no later than one year from cessation of major construction activity. We cease capitalization on the portions substantially completed and occupied or held available for occupancy, and capitalize only those costs associated with the portions under construction.

Results of operations of properties acquired are included in the consolidated statements of income from the date of acquisition.

FASB guidance requires the acquiring entity in a business combination to measure the assets acquired, liabilities assumed (including contingencies) and any noncontrolling interests at their fair values on the acquisition date. The guidance also requires that acquisition-related transaction costs be expensed as incurred, acquired research and development value be capitalized and acquisition-related restructuring costs be capitalized only if they meet certain criteria. As such, we expense acquisition-related transaction costs as incurred, which are included in transaction related costs on our consolidated statements of income.

When we acquire our partner's equity interest in an existing unconsolidated joint venture and gain control over the investment, we record the consolidated investment at fair value. The difference between the book value of our equity investment on the purchase date and our share of the fair value of the investment's purchase price is recorded as a purchase price fair value adjustment in our consolidated statements of income.

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

Table of Contents**SL Green Realty Corp.****Notes to Consolidated Financial Statements (Continued)****December 31, 2012****2. Significant Accounting Policies (Continued)**

We recognized an increase of approximately \$10.5 million, \$19.8 million and \$22.7 million in rental revenue for the years ended December 31, 2012, 2011 and 2010, respectively, for the amortization of aggregate below-market leases in excess of above-market leases and a reduction in lease origination costs, resulting from the allocation of the purchase price of the applicable properties. We recognized a reduction in interest expense for the amortization of the above-market rate mortgages assumed of approximately \$1.8 million, \$5.9 million and \$2.7 million for the years ended December 31, 2012, 2011 and 2010, respectively.

The following summarizes our identified intangible assets (acquired above-market leases and in-place leases) and intangible liabilities (acquired below-market leases) as of December 31, 2012 and 2011 (amounts in thousands):

	December 31, 2012	December 31, 2011
Identified intangible assets (included in other assets):		
Gross amount	\$ 725,861	\$ 673,495
Accumulated amortization	(263,107)	(193,442)
Net	\$ 462,754	\$ 480,053
Identified intangible liabilities (included in deferred revenue):		
Gross amount	\$ 651,921	\$ 622,029
Accumulated amortization	(357,225)	(290,893)
Net	\$ 294,696	\$ 331,136

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

2013	\$ (268)
2014	390
2015	1,223
2016	3,415
2017	3,273

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

2013	\$ 16,622
2014	12,887
2015	8,843
2016	5,556
2017	4,445

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SL Green Realty Corp.

Notes to Consolidated Financial Statements (Continued)

December 31, 2012

2. Significant Accounting Policies (Continued)

Cash and Cash Equivalents

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

Fair Value Measurements

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

We determined the fair value of our current investments in marketable securities using Level 1, Level 2 and Level 3 inputs. Additionally, we determined the valuation allowance for loan losses based on Level 3 inputs. See Note 5, "Debt and Preferred Equity Investments."

The estimated fair values of tangible and intangible assets and liabilities recorded in connection with business combinations are based on Level 3 inputs. We estimate fair values based on cash flow projections utilizing appropriate discount and/or capitalization rates and available market information.

We determine impairment in real estate investments and debt and preferred equity investments, including intangibles, utilizing cash flow projections that apply estimated revenue and expense growth rates, discount rates and capitalization rates, which are classified as Level 3 inputs.

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

Cash and cash equivalents, restricted cash, accounts receivable, accounts payable and accrued expenses, and other assets and liabilities: The carrying amount of cash and cash equivalents, restricted cash, accounts receivable, accounts payable and accrued expenses, and other assets and liabilities reported in our consolidated balance sheets approximates fair value due to the short-term nature of these instruments.

Debt and preferred equity investments: The fair value of debt and preferred equity investments is estimated by discounting the future cash flows using current interest rates at which similar loans with the same maturities would be made to borrowers with similar credit ratings. See "Reserve for Possible Credit Losses" below regarding valuation allowances for loan losses.

Derivative instruments: The fair value of derivative instruments is based on current market data received from financial sources that trade such instruments and are based on prevailing market data and derived from third party proprietary models based on well recognized financial principles and reasonable estimates about relevant future market conditions.

Mortgage and other loans payable and other debt: The fair value of borrowings is estimated by discounting the future cash flows using current interest rates at which similar borrowings could be made by us.

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SL Green Realty Corp.

Notes to Consolidated Financial Statements (Continued)

December 31, 2012

2. Significant Accounting Policies (Continued)

The methodologies used for measuring fair value have been categorized into three broad levels as follows:

Level 1 Quoted prices in active markets for identical instruments.

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

Quoted prices in active markets for similar instruments,

Quoted prices in less active or inactive markets for identical or similar instruments,

Other observable inputs (such as interest rates, yield curves, volatilities, prepayment speeds, loss severities, credit risks and default rates), and

Market corroborated inputs (derived principally from or corroborated by observable market data).

Level 3 Valuations based significantly on unobservable inputs.

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

Valuations based on internal models with significant unobservable inputs.

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

Investment in Marketable Securities

We invest in marketable securities. At the time of purchase, we are required to designate a security as held-to-maturity, available-for-sale, or trading depending on ability and intent. We do not have any securities designated as held-to-maturity or trading at this time. Securities available-for-sale are reported at fair value pursuant to ASC 820-10, with the net unrealized gains or losses reported as a component of accumulated other comprehensive loss. Unrealized losses that are determined to be other-than-temporary are recognized in earnings up to their credit component. Included in accumulated other comprehensive loss at December 31, 2012 and 2011 is approximately \$3.3 million and \$6.9 million, respectively, in net unrealized gains related to marketable securities.

During the years ended December 31, 2012, 2011 and 2010, we disposed of certain of our marketable securities for aggregate net proceeds of \$6.8 million, \$6.2 million and \$2.8 million and realized gains of \$4.9 million, \$4.5 million and \$1.9 million, respectively, which are included in gain (loss) on investment in marketable securities on the consolidated statements of income. During the years ended December 31, 2011 and 2010, we sold \$22.5 million and \$41.9 million of Level 3 securities and realized a gain of \$0.4 million and a loss of \$1.1 million, respectively, which are also included in gain (loss) on investment in marketable securities on the consolidated statements of income. There were no sales of Level 3 securities during the year ended December 31, 2012.

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

Table of Contents**SL Green Realty Corp.****Notes to Consolidated Financial Statements (Continued)****December 31, 2012****2. Significant Accounting Policies (Continued)**

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

	December 31,	
	2012	2011
Level 1 Equity marketable securities	\$ 2,202	\$ 8,065
Level 2 Commercial mortgage-backed securities	15,575	13,369
Level 3 Rake bonds	3,652	3,889
 Total marketable securities available-for-sale	 \$ 21,429	 \$ 25,323

The cost basis of the Level 3 securities was \$3.7 million and \$3.9 million at December 31, 2012 and 2011, respectively. The Level 3 securities mature at various times through 2030.

Investments in Unconsolidated Joint Ventures

We account for our investments in unconsolidated joint ventures under the equity method of accounting in cases where we exercise significant influence over, but do not control, these entities and are not considered to be the primary beneficiary. We consolidate those joint ventures that we control or which are VIEs and where we are considered to be the primary beneficiary. In all these joint ventures, the rights of the joint venture partner are both protective as well as participating. Unless we are determined to be the primary beneficiary in a VIE, these participating rights preclude us from consolidating these non-VIE entities. These investments are recorded initially at cost, as investments in unconsolidated joint ventures, and subsequently adjusted for equity in net income (loss) and cash contributions and distributions. Any difference between the carrying amount of these investments on our balance sheet and the underlying equity in net assets is amortized as an adjustment to equity in net income (loss) of unconsolidated joint ventures over the joint venture term or 10 years where the joint venture has an infinite life. Equity income (loss) from unconsolidated joint ventures is allocated based on our ownership or economic interest in each joint venture. When a capital event (as defined in each joint venture agreement) such as a refinancing occurs, if return thresholds are met, future equity income will be allocated at our increased economic interest. We recognize incentive income from unconsolidated real estate joint ventures as income to the extent it is earned and not subject to a clawback feature. Distributions we receive from unconsolidated real estate joint ventures in excess of our basis in the investment are recorded as offsets to our investment balance if we remain liable for future obligations of the joint venture or may otherwise be committed to provide future additional financial support. None of the joint venture debt is recourse to us, except for \$218.4 million which we guarantee at two joint ventures and performance guarantees under a master lease at another joint venture. See Note 6, "Investments in Unconsolidated Joint Ventures."

Restricted Cash

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

Deferred Lease Costs

Deferred lease costs consist of fees and direct costs incurred to initiate and renew operating leases and are amortized on a straight-line basis over the related lease term. Certain of our employees provide leasing services to the wholly-owned properties. Approximately \$11.0 million, \$9.6 million and \$8.6 million of their compensation for

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SL Green Realty Corp.

Notes to Consolidated Financial Statements (Continued)

December 31, 2012

2. Significant Accounting Policies (Continued)

the years ended December 31, 2012, 2011 and 2010, respectively, was capitalized and is amortized over an estimated average lease term of seven years.

Deferred Financing Costs

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

Revenue Recognition

Rental revenue is recognized on a straight-line basis over the term of the lease. Rental revenue recognition commences when the tenant takes possession or controls the physical use of the leased space. In order for the tenant to take possession, the leased space must be substantially ready for its intended use. To determine whether the leased space is substantially ready for its intended use, management evaluates whether we are or the tenant is the owner of tenant improvements for accounting purposes. When management concludes that we are the owner of tenant improvements, rental revenue recognition begins when the tenant takes possession of the finished space, which is when such tenant improvements are substantially complete. In certain instances, when management concludes that we are not the owner (the tenant is the owner) of tenant improvements, rental revenue recognition begins when the tenant takes possession of or controls the space. When management concludes that we are the owner of tenant improvements for accounting purposes, management records amounts funded to construct the tenant improvements as a capital asset. For these tenant improvements, management records amounts reimbursed by tenants as a reduction of the capital asset. When management concludes that the tenant is the owner of tenant improvements for accounting purposes, management records our contribution towards those improvements as a lease incentive, which is included in deferred leasing costs on our consolidated balance sheets and amortized as a reduction to rental revenue on a straight-line basis over the term of the lease. The excess of rents recognized over amounts contractually due pursuant to the underlying leases are included in deferred rents receivable on the accompanying consolidated balance sheets. We establish, on a current basis, an allowance for future potential tenant credit losses, which may occur against this account. The balance reflected on the consolidated balance sheet is net of such allowance.

In addition to base rent, our tenants also generally will pay their pro rata share of increases in real estate taxes and operating expenses for the building over a base year. In some leases, in lieu of paying additional rent based upon increases in building operating expenses, the tenant will pay additional rent based upon increases in the wage rate paid to porters over the porters' wage rate in effect during a base year or increases in the consumer price index over the index value in effect during a base year. In addition, many of our leases contain fixed percentage increases over the base rent to cover escalations. Electricity is most often supplied by the landlord either on a sub-metered basis, or rent inclusion basis (i.e., a fixed fee is included in the rent for electricity, which amount may increase based upon increases in electricity rates or increases in electrical usage by the tenant). Base building services other than electricity (such as heat, air conditioning and freight elevator service during business hours, and base building cleaning) are typically provided at no additional cost, with the tenant paying additional rent only for services which exceed base building services or for services which are provided outside normal business hours. These escalations are based on actual expenses incurred in the prior calendar year. If the expenses

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SL Green Realty Corp.

Notes to Consolidated Financial Statements (Continued)

December 31, 2012

2. Significant Accounting Policies (Continued)

in the current year are different from those in the prior year, then during the current year, the escalations will be adjusted to reflect the actual expenses for the current year.

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

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

Income recognition is generally suspended for debt and preferred equity investments at the earlier of the date at which payments become 90 days past due or when, in the opinion of management, a full recovery of interest income and principal becomes doubtful. Interest income recognition is resumed when the loan becomes contractually current and performance is demonstrated to be resumed. Interest is recorded as income on impaired loans only to the extent cash is received. Several of the debt and preferred equity investments provide for accrual of interest at specified rates, which differ from current payment terms. Interest is recognized on such loans at the accrual rate subject to management's determination that accrued interest and outstanding principal are ultimately collectible, based on the underlying collateral and operations of the borrower. If management cannot make this determination, interest income above the current pay rate is recognized only upon actual receipt.

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

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

Allowance for Doubtful Accounts

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

Reserve for Possible Credit Losses

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

Where impairment is indicated on an investment that is held to maturity, a valuation allowance is measured based upon the excess of the recorded investment amount over the net fair value of the collateral. Any deficiency

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SL Green Realty Corp.

Notes to Consolidated Financial Statements (Continued)

December 31, 2012

2. Significant Accounting Policies (Continued)

between the carrying amount of an asset and the calculated value of the collateral is charged to expense. The write off of the reserve balance is called a charge off. We recorded loan loss reserves of \$3.0 million, \$10.9 million and \$19.8 million on investments being held to maturity during the years ended December 31, 2012, 2011 and 2010, respectively. During 2010, we recorded loan loss reserves and charge-offs of \$1.0 million against our held for sale investment. We also recorded recoveries of approximately \$2.4 million, \$4.4 million and \$3.7 million during the years ended December 31, 2012, 2011 and 2010, respectively, in connection with the sale of our investments. This is included in loan loss and other investment reserves, net of recoveries in the accompanying consolidated statements of income.

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

Rent Expense

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

Income Taxes

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

Pursuant to amendments to the Code that became effective January 1, 2001, we have elected, and may in the future elect, to treat certain of our existing or newly created corporate subsidiaries as taxable REIT subsidiaries, or a TRS. In general, a TRS of ours may perform non-customary services for our tenants, hold assets that we cannot hold directly and generally may engage in any real estate or non-real estate related business. Our TRSs generate income, resulting in Federal and state income tax liability for these entities. Our TRSs recorded Federal, state and local tax provision of zero, zero and \$0.9 million during the years ended December 31, 2012, 2011 and 2010, respectively, and made estimated tax payments of zero, \$0.1 million and \$1.0 million during the years ended December 31, 2012, 2011 and 2010, respectively.

We follow a two-step approach for evaluating uncertain tax positions. Recognition (step one) occurs when an enterprise concludes that a tax position, based solely on its technical merits, is more-likely-than-not to be sustained upon examination. Measurement (step two) determines the amount of benefit that is more-likely-than-not to be realized upon settlement. Derecognition of a tax position that was previously recognized would occur when a

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SL Green Realty Corp.

Notes to Consolidated Financial Statements (Continued)

December 31, 2012

2. Significant Accounting Policies (Continued)

company subsequently determines that a tax position no longer meets the more-likely-than-not threshold of being sustained. The use of a valuation allowance as a substitute for derecognition of tax positions is prohibited.

Underwriting Commissions and Costs

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

Exchangeable Debt Instruments

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

Stock-Based Employee Compensation Plans

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

Our stock options are recorded at fair value at the time of issuance. Fair value of the stock options is determined using the Black-Scholes option pricing model. The Black-Scholes 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 or restricted stock are expensed as compensation over the benefit period based on the fair value of the stock on the grant date.

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SL Green Realty Corp.

Notes to Consolidated Financial Statements (Continued)

December 31, 2012

2. Significant Accounting Policies (Continued)

For share-based awards with a performance or market measure, we recognize compensation cost over the requisite service period, using the accelerated attribution expense method. The requisite service period begins on the date the compensation committee of our board of directors authorizes the award, adopts any relevant performance measures and communicates the award to the employees. For programs with performance measures, the total estimated compensation cost is based on the fair value of the award at the applicable reporting date estimated using a binomial model. For share-based awards for which there is no pre-established performance measure, we recognize compensation cost over the service vesting period, which represents the requisite service period, on a straight-line basis. In accordance with the provisions of our share-based incentive compensation plans, we accept the return of shares of the Company's common stock, at the current quoted market price, from certain key employee to satisfy minimum statutory tax-withholding requirements related to shares that vested during the period.

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

Derivative Instruments

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

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

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

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

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SL Green Realty Corp.

Notes to Consolidated Financial Statements (Continued)

December 31, 2012

2. Significant Accounting Policies (Continued)

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

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

Earnings per Share

We present both basic and diluted earnings per share, or EPS. Basic EPS excludes dilution and is computed by dividing net income attributable to common stockholders by the weighted average number of common shares outstanding during the period. Basic EPS includes participating securities, consisting of unvested restricted stock that receive nonforfeitable dividends similar to shares of common stock. Diluted EPS reflects the potential dilution that could occur if securities or other contracts to issue common stock were exercised or converted into common stock, where such exercise or conversion would result in a lower EPS amount. This also includes units of limited partnership interest. The dilutive effect of the outstanding nonvested shares of common stock, or nonvested shares, and restricted stock units, or RSUs, that have not yet been granted, but are contingently issuable under the share-based compensation, programs is reflected in the weighted average diluted shares calculation by application of the treasury stock method at the beginning of the quarterly period in which all necessary conditions have been satisfied. The dilutive effect of stock options is reflected in the weighted average diluted outstanding shares calculation by application of the treasury stock method. There is no dilutive effect for the exchangeable senior debentures as the conversion premium will be paid in cash.

Use of Estimates

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

Concentrations of Credit Risk

Financial instruments that potentially subject us to concentrations of credit risk consist primarily of cash investments, debt and preferred equity investments and accounts receivable. We place our cash investments in excess of insured amounts with high quality financial institutions. The collateral securing our debt and preferred equity investments is located in the New York Metropolitan area. See Note 5, "Debt and Preferred Equity Investments." We perform ongoing credit evaluations of our tenants and require most tenants to provide security deposits or letters of credit. Though these security deposits and letters of credit are insufficient to meet the total value of a tenant's lease obligation, they are a measure of good faith and a source of funds to offset the economic costs associated with lost rent and the costs associated with re-tenanting the space. Although the properties in our real estate portfolio are primarily located in Manhattan, we also have properties located in Brooklyn, Long Island,

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SL Green Realty Corp.

Notes to Consolidated Financial Statements (Continued)

December 31, 2012

2. Significant Accounting Policies (Continued)

Westchester County, Connecticut, Northern New Jersey and the west coast. The tenants located in our buildings operate in various industries. Other than three tenants who account for approximately 6.9%, 6.4% and 6.0% of our share of annualized cash rent, respectively, no other tenant in our portfolio accounted for more than 1.9% of our annualized cash rent, including our share of joint venture annualized rent, at December 31, 2012. Approximately 10%, 8%, 7% and 6% of our annualized cash rent for consolidated properties was attributable to 1515 Broadway, 919 Third Avenue, 1185 Avenue of the Americas and One Madison Avenue, respectively, for the year ended December 31, 2012. Approximately 10%, 8%, 7% and 7% of our annualized cash rent for consolidated properties was attributable to 1515 Broadway, 919 Third Avenue, 1185 Avenue of the Americas and One Madison Avenue, respectively, for the year ended December 31, 2011. Approximately 10%, 9%, 7%, 7% and 6% of our annualized rent for consolidated properties was attributable to 919 Third Avenue, 1185 Avenue of the Americas, One Madison Avenue, 420 Lexington Avenue and 485 Lexington Avenue, respectively, for the year ended December 31, 2010. In addition, two debt and preferred equity investments accounted for more than 10.0% of the income earned on debt and preferred equity investments during 2012. As of December 31, 2012, approximately 74.8% of our workforce is covered by three collective bargaining agreements. Approximately 77.2% of our workforce which services substantially all of our properties is covered by a collective bargaining agreement which expires in 2015. See Note 15, "Employee Benefits."

Reclassification

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

Accounting Standards Updates

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

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

In February 2013, the FASB issued guidance on the presentation and disclosure of reclassification adjustments out of accumulated other comprehensive income, or AOCI. The standard requires an entity to present information about significant items reclassified out of AOCI by component either on the face of the statement where net income is presented or as a separate disclosure in the notes to financial statements. The guidance is effective for calendar year-end public companies in 2013 beginning in the first quarter and is to be applied on a prospective basis. Early adoption of the guidance is permitted. Adoption of this guidance will not have a material impact on our consolidated financial statements.

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SL Green Realty Corp.

Notes to Consolidated Financial Statements (Continued)

December 31, 2012

3. Property Acquisitions

2012 Acquisitions

In December 2012, we acquired a 68,000 square foot (unaudited) mixed use retail, office and residential building located at 131-137 Spring Street for \$122.3 million. We are currently in the process of analyzing the fair value of the in-place leases; and consequently, no value has yet been assigned to the leases. Therefore, the purchase price allocation is preliminary and subject to change.

In December 2012, we acquired the aggregate 42,000 square foot (unaudited) vacant retail buildings located at 985-987 Third Avenue for \$18.0 million.

In October 2012, we, along with Stonehenge Partners, acquired a 99-year leasehold position covering an 82,250 square foot, 96 unit residential building located at 1080 Amsterdam Avenue which we plan to redevelop into luxury residential units.

In September 2012, we acquired the aggregate 267,000 square foot (unaudited) office buildings located at 635 and 641 Sixth Avenue for \$173.0 million.

In June 2012, we acquired a 215,000 square foot (unaudited) office building located at 304 Park Avenue South for \$135.0 million. The property was acquired with approximately \$102.0 million in cash and \$33.0 million in units of limited partnership interest of the Operating Partnership.

In October 2011, we formed a joint venture with Stonehenge Partners and, in January 2012, we acquired five retail and two multifamily properties in Manhattan for \$193.1 million, inclusive of the issuance of \$47.6 million aggregate liquidation preference of 4.5% Series G preferred units of limited partnership interest of the Operating Partnership. Simultaneous with the closing, we financed the multifamily component, which encompasses 385 units and 488,000 square feet (unaudited), with an aggregate 12-year \$100.0 million fixed rate mortgage which bears interest at 4.125% and one of the retail properties financed with a 5-year \$8.5 million fixed rate mortgage which bears interest at 3.75%. We hold an 80% interest in this joint venture which we consolidate as it is a VIE and we have been designated as the primary beneficiary.

Table of Contents**SL Green Realty Corp.****Notes to Consolidated Financial Statements (Continued)****December 31, 2012****3. Property Acquisitions (Continued)**

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

	635-641 Sixth Avenue	304 Park Avenue South	Stonehenge Properties
Land	\$ 69,848	\$ 54,189	\$ 65,533
Building and building leasehold	104,474	75,619	128,457
Above market lease value		2,824	594
Acquired in-place leases	7,727	8,265	9,573
Other assets, net of other liabilities			2,190
Assets acquired	182,049	140,897	206,347
Fair value adjustment to mortgage note payable			
Below market lease value	9,049	5,897	13,239
Liabilities assumed	9,049	5,897	13,239
Purchase price allocation	\$ 173,000	\$ 135,000	\$ 193,108
Net consideration funded by us at closing	\$ 173,000	\$ 135,000	\$ 78,121
Equity and/or debt investment held	\$	\$	\$
Debt assumed	\$	\$	\$

2011 Acquisitions

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

In November 2011 we, along with The Moinian Group, formed a joint venture to recapitalize 180 Maiden Lane, a fully-leased, 1.1 million square foot (unaudited) Class A office tower. The consideration for our 49.9% stake in the joint venture included \$41.0 million in cash and common units of limited partnership interest of the Operating Partnership valued at \$31.7 million. The transaction valued the property at \$442.3 million. In connection with the issuance of these Operating Partnership units, we recorded an \$8.3 million fair value adjustment due to changes in our stock price. Simultaneous with the closing of the recapitalization, the joint venture refinanced the existing \$344.2 million indebtedness with a five-year \$280 million mortgage. We consolidate this joint venture, which is a VIE in which we have been designated as the primary beneficiary, due to the control we exert over leasing activities at the property.

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

Table of Contents**SL Green Realty Corp.****Notes to Consolidated Financial Statements (Continued)****December 31, 2012****3. Property Acquisitions (Continued)**

In April 2011, we purchased SITQ Immobilier, a subsidiary of Caisse de depot et placement du Quebec, or SITQ's, 31.5% economic interest in 1515 Broadway, thereby consolidating full ownership of the 1,750,000 square foot (unaudited) building. The transaction valued the consolidated interests at \$1.23 billion. This valuation was based on a negotiated sales agreement and took into consideration such factors as whether this was a distressed sale and whether a minority discount was warranted. We acquired the interest subject to the \$458.8 million mortgage encumbering the property. We recognized a purchase price fair value adjustment of \$475.1 million upon the closing of this transaction. This property, which we initially acquired in May 2002, was previously accounted for as an investment in unconsolidated joint ventures.

In January 2011, we purchased City Investment Fund, or CIF's, 49.9% interest in 521 Fifth Avenue, thereby assuming full ownership of the 460,000 square-foot (unaudited) building. The transaction valued the consolidated interests at approximately \$245.7 million, excluding \$4.5 million of cash and other assets acquired. We acquired the interest subject to the \$140.0 million mortgage encumbering the property. We recognized a purchase price fair value adjustment of \$13.8 million upon the closing of this transaction. In April 2011, we refinanced the property with a new \$150.0 million 2-year mortgage which carries a floating rate of interest of 200 basis points over the 30-day LIBOR. In connection with that refinancing, we acquired the fee interest in the property for \$15.0 million.

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

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

2010 Acquisitions

In January 2010, we became the sole owner of 100 Church Street, a 1.05 million square-foot (unaudited) office tower located in downtown Manhattan, following the successful foreclosure of the senior mezzanine loan at the property. Our initial investment totaled \$40.9 million, which was comprised of a 50% interest in the senior mezzanine loan and two other mezzanine loans at 100 Church Street, which we acquired from Gramercy Capital

Table of Contents**SL Green Realty Corp.****Notes to Consolidated Financial Statements (Continued)****December 31, 2012****3. Property Acquisitions (Continued)**

Corp. (NYSE: GKK), or Gramercy, in the summer of 2007. At closing of the foreclosure, we funded an additional \$15.0 million of capital into the project as part of our agreement with Wachovia Bank, N.A. to extend and restructure the existing financing. Gramercy declined to fund its share of this capital and instead transferred its interests in the investment to us at closing. The restructured \$139.7 million mortgage carries an interest rate of 350 basis points over the 30-day LIBOR. The restructured mortgage, which was scheduled to mature in January 2013, was repaid in March 2011.

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

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

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

The following summarizes our allocation of the purchase price of the assets acquired and liabilities assumed upon the closing of these 2010 acquisitions (amounts in thousands):

	100 Church Street	125 Park Avenue	Gramercy	Williamsburg
Land	\$ 32,494	\$ 120,900	\$ 501,021	\$ 6,200
Building	86,806	201,726		10,158
Above market lease value	118	11,282	23,178	2,304
Acquired in-place leases	17,380	28,828	217,312	
Restricted cash	53,735			
Assets acquired	190,533	362,736	741,511	18,662
Fair value adjustment to mortgage note payable		12,147	22,806	
Below market lease value	8,025	20,589		277
Other liabilities, net of other assets	1,674		2,091	
Liabilities assumed	9,699	32,736	24,897	277
Purchase price allocation	\$ 180,834	\$ 330,000	\$ 716,614	\$ 18,385
Net consideration funded by us at closing	\$ 15,000	\$ 183,750	\$ 86,864	\$ 18,385
Equity and/or debt investment held	\$ 40,938	\$	\$ 111,751	\$
Debt assumed	\$ 139,672	\$ 146,250	\$ 265,604	\$

Table of Contents**SL Green Realty Corp.****Notes to Consolidated Financial Statements (Continued)****December 31, 2012****4. Property Dispositions and Assets Held for Sale**

In October 2012, we entered into an agreement to sell the property located at 44 West 55th Street for \$6.3 million. This transaction closed on February 6, 2013.

In February 2012, we sold our leased fee interest at 292 Madison Avenue for \$85.0 million. We recognized a gain of \$6.6 million on the sale which is net of a \$1.5 million employee compensation award, accrued in connection with the realization of this investment gain as a bonus to certain employees that were instrumental in realizing the gain on this sale.

In May 2011, we sold our 359,000 square foot (unaudited) property located at 28 West 44th Street for \$161.0 million. We recognized a gain of \$46.1 million on the sale.

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

Discontinued operations includes the results of operations of real estate assets sold prior to, or held for sale as of December 31, 2012. This includes 19 West 44th Street, which was sold in September 2010, 28 West 44th Street, which was sold in May 2011, 292 Madison Avenue, which was sold in February 2012, and 44 West 55th Street, which is held for sale.

The following table summarizes income from discontinued operations for the years ended December 31, 2012, 2011 and 2010, respectively (amounts in thousands).

	Year Ended December 31,		
	2012	2011	2010
Revenues			
Rental revenue	\$ 3,357	\$ 12,636	\$ 22,912
Escalation and reimbursement revenues	31	873	4,683
Other income	8,189	60	881
Total revenues	11,577	13,569	28,476
Operating expense	714	1,654	7,403
Real estate taxes	95	1,033	4,776
Transaction related costs	160		
Interest expense, net of interest income	1,410	4,253	2,998
Amortization of deferred financing costs		172	883
Depreciation and amortization	82	676	5,326
Marketing, general and administrative and transaction related costs		1	26
Total expenses	2,461	7,789	21,412
Net income from discontinued operations	\$ 9,116	\$ 5,780	\$ 7,064

5. Debt and Preferred Equity Investments

During the years ended December 31, 2012 and 2011, our debt and preferred equity investments (net of discounts) increased approximately \$672.9 million and \$622.5 million, respectively, due to originations, purchases,

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SL Green Realty Corp.

Notes to Consolidated Financial Statements (Continued)

December 31, 2012

5. Debt and Preferred Equity Investments (Continued)

accretion of discounts and paid-in-kind interest. We recorded approximately \$298.7 million and \$589.4 million in repayments, participations, sales and foreclosures and loan loss reserves of \$3.0 million and \$10.9 million during those periods, respectively, which offset the increases in debt and preferred equity investments.

As of December 31, 2012 and 2011, we held the following debt investments with an aggregate weighted average current yield of approximately 9.79% at December 31, 2012 (amounts in thousands):

Loan Type	December 31, 2012 Senior Financing	December 31, 2012 Carrying Value, Net of Discounts	December 31, 2011 Carrying Value, Net of Discounts	Initial Maturity Date
Other Loan	\$ 15,000	\$ 3,500	\$ 3,500	September 2021
Mortgage/Mezzanine Loan ⁽¹⁾	1,109,000	115,804	108,817	March 2017
Mezzanine Loan	165,000	71,067	40,375	November 2016
Junior Participation	133,000	49,000	49,000	June 2016
Mortgage/Mezzanine Loan	169,212	46,496	46,416	May 2016
Mezzanine Loan	177,000	15,906	17,112	May 2016
Mezzanine Loan	205,000	66,544	64,973	February 2016
Mortgage ⁽²⁾		218,068		
Junior Participation ⁽³⁾⁽⁴⁾			8,725	
Junior Participation ⁽⁴⁾⁽⁵⁾			11,000	
Total fixed rate	\$ 1,973,212	\$ 586,385	\$ 349,918	
Mezzanine Loan ⁽⁶⁾	\$ 81,000	\$ 34,940	\$ 34,940	October 2016
Mezzanine Loan	55,000	35,000	35,000	July 2016
Mezzanine Loan ⁽⁷⁾	92,711	56,289		December 2015
Mortgage/Mezzanine Loan ⁽⁸⁾		47,679		February 2015
Mortgage		15,000		September 2014
Mezzanine Loan	170,000	60,000	60,000	August 2014
Mortgage/Mezzanine Loan ⁽⁹⁾	330,000	132,000	30,747	July 2014
Mezzanine Loan ⁽¹⁰⁾	62,500	37,500		July 2014
Mezzanine Loan ⁽¹¹⁾	75,000	7,650	7,650	July 2013
Junior Participation ⁽⁴⁾	60,250	10,875	10,875	June 2013
Mezzanine Loan			10,000	
Mortgage ⁽¹²⁾			3,000	
Mezzanine Loan ⁽¹³⁾			8,392	
Mortgage ⁽¹⁴⁾			86,339	
Other Loan			3,196	
Total floating rate	\$ 926,461	\$ 436,933	\$ 290,139	
Total	2,899,673	1,023,318	640,057	
Loan loss reserve ⁽⁴⁾		(7,000)	(19,125)	
	\$ 2,899,673	\$ 1,016,318	\$ 620,932	

- (1) Interest is added to the principal balance for this accrual only loan. In January 2013, we sold 50% of the mezzanine loan at 97% of the accrued balance. See Note 22, "Subsequent Events."

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SL Green Realty Corp.

Notes to Consolidated Financial Statements (Continued)

December 31, 2012

5. Debt and Preferred Equity Investments (Continued)

- (2) In November 2012, we acquired this non-performing loan with an original balance of \$219.0 million, which accrues interest at its default rate. We are recognizing income at the original contractual rate.
- (3) This loan was in default and on non-accrual status. We sold our interest in the loan in February 2012 and recovered \$0.4 million against the reserve on this loan.
- (4) Loan loss reserves are specifically allocated to investments. Our reserves reflect management's judgment of the probability and severity of losses based on Level 3 data. We cannot be certain that our judgment will prove to be correct or that reserves will be adequate over time to protect against potential future losses.
- (5) In March 2012, we sold our interest in this loan and recovered \$2.0 million against the reserve on this loan.
- (6) As of December 31, 2012, we were committed to fund an additional \$15.1 million in connection with this loan.
- (7) As of December 31, 2012, we were committed to fund an additional \$28.7 million in connection with this loan.
- (8) As of December 31, 2012, we were committed to fund an additional \$11.0 million in connection with this loan.
- (9) As a result of the acquisition of the remaining 50% interest in November 2011 in the joint venture which held an investment in a debt position on the property located at 450 West 33rd Street, we have reclassified our investment as a debt investment. See Note 6, "Investments in Unconsolidated Joint Ventures." As part of the restructuring and refinancing of the related senior mortgage in July 2012, our outstanding investment in the amount of \$49.9 million was repaid in full at maturity and we also entered into a loan participation in the amount of \$182.0 million on the \$462.0 million outstanding senior mortgage which maturity was extended to July 2014. In September 2012, we sold \$50 million of our interest in the senior mortgage to a third party.
- (10) In November 2012, we entered into a loan participation agreement in the amount of \$5.0 million on a \$37.5 million mortgage. As a result of the transfer not meeting the conditions for sale accounting, the portion that was participated out has been recorded in other liabilities in the accompanying consolidated balance sheet.
- (11) In November 2011, we entered into a loan participation agreement in the amount of \$7.4 million on a \$15.0 million mortgage. Due to our continued involvement with the loan, the portion that was participated out has been recorded in other assets and other liabilities in the accompanying consolidated balance sheet.
- (12) In June 2011, we funded an additional \$5.5 million and extended the maturity date of this loan to February 2013. In September 2011, we entered into a loan participation in the amount of \$28.5 million on a \$31.5 million mortgage and assigned our right as servicer to a third party. In December 2012, the outstanding loan balance, including the participation interest, was paid off.
- (13) In connection with the extension of this loan, a portion of the mezzanine loan was converted to preferred equity. See note 4 to the next table. This mezzanine loan was on non-accrual status as of January 2012. In June 2012, we acquired an additional 38.6% participation interest in this mezzanine loan. As a result of this acquisition, we had complete control over this position and could, therefore, control any restructuring. On July 26, 2012, the mezzanine holders foreclosed out the equity position and as a result, we consolidated the operations of this investment in August and September 2012. In September 2012, we, together with Blackstone Real Estate Partners VII, or Blackstone, Gramercy Capital Corp. and Square Mile Capital Management LLC, formed a joint venture to recapitalize the underlying portfolio of west coast office properties and restructure the senior and mezzanine loans that expired in August 2012. We contributed our debt and preferred equity investment to the joint venture, and accounted for our investment under the equity method as of September 28, 2012 because we no longer controlled the joint venture. We own a 27.63% ownership interest in the joint venture. Blackstone, which has a 56.3% ownership interest in the joint venture, will oversee the portfolio's management and leasing activities through its Equity Office Properties affiliate. See Note 6, "Investments in Unconsolidated Joint Ventures."

(14)

We hold an 88% interest in the consolidated joint venture that acquired this loan. This investment is denominated in British Pounds. This loan was not repaid on its maturity date and was placed in receivership. The entity that held the property which served as collateral for our loan position was determined to be a VIE under a reconsideration event and we were determined to be the primary beneficiary. As a result of this determination, we consolidated the entity and reclassified the investment to assets held for sale on the consolidated balance sheet in June 2012. In November 2012, the entity that held the property sold the property for \$100.0 million (£62.5 million), at which time our note was repaid and we recognized additional income of \$8.9 million on the sale of the note.

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SL Green Realty Corp.

Notes to Consolidated Financial Statements (Continued)

December 31, 2012

5. Debt and Preferred Equity Investments (Continued)

Preferred Equity Investments

As of December 31, 2012 and 2011, we held the following preferred equity investments with an aggregate weighted average current yield of approximately 10.12% at December 31, 2012 (amounts in thousands):

Type	December 31, 2012 Senior Financing	December 31, 2012 Carrying Value, Net of Discounts	December 31, 2011 Carrying Value, Net of Discounts	Initial Mandatory Redemption
Preferred equity ⁽¹⁾	\$ 926,260	\$ 210,918	\$ 203,080	July 2016
Preferred equity ⁽¹⁾⁽²⁾	57,087	19,136		April 2016
Preferred equity	70,000	10,000		October 2014
Preferred equity ⁽¹⁾⁽³⁾	480,000	100,831	141,980	July 2014
Preferred equity ⁽¹⁾⁽⁴⁾⁽⁵⁾			51,000	
Loan loss reserve ⁽⁵⁾			(31,050)	
	\$ 1,533,347	\$ 340,885	\$ 365,010	

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

(2) As of December 31, 2012, we are committed to fund an additional \$6.5 million on this loan.

(3) This investment was classified as held for sale at June 30, 2009, but as held-to-maturity for all periods subsequent to June 30, 2009. The reserve previously taken against this loan is being accreted up to the face amount through the maturity date. In connection with a recapitalization of the investment, our mezzanine loan was converted to preferred equity in 2011. We also made an additional \$50.0 million junior preferred equity loan. This junior preferred equity loan was repaid at par in February 2012.

(4) This investment was on non-accrual status. In connection with the extension of this loan, a portion of the mezzanine loan was converted to preferred equity in 2011. In June 2012, we acquired 100% of the interests in the most senior preferred equity position. In September 2012, we reclassified our debt and preferred equity investments, inclusive of related reserves, as investments in unconsolidated joint ventures as part of the recapitalization and refinancing transaction discussed in note 13 of the prior table.

(5) Loan loss reserves are specifically allocated to investments. Our reserves reflect management's judgment of the probability and severity of losses based on Level 3 data. We cannot be certain that our judgment will prove to be correct and that reserves will be adequate over time to protect against potential future losses.

The following table is a rollforward of our total loan loss reserves at December 31, 2012, 2011 and 2010 (amounts in thousands):

	2012	2011	2010
Balance at beginning of year	\$ 50,175	\$ 61,361	\$ 93,844
Expensed	3,000	10,875	24,418
Recoveries	(2,436)	(4,370)	(3,662)
Charge-offs and reclassifications	(43,739)	(17,691)	(53,239)

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Balance at end of period	\$	7,000	\$	50,175	\$	61,361
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At December 31, 2012, 2011 and 2010 all debt and preferred equity investments, other than as noted above, were performing in accordance with the terms of the loan agreements.

We have determined that we have one portfolio segment of financing receivables at December 31, 2012 and 2011 comprising commercial real estate which is primarily recorded in debt and preferred equity investments.

Table of Contents**SL Green Realty Corp.****Notes to Consolidated Financial Statements (Continued)****December 31, 2012****5. Debt and Preferred Equity Investments (Continued)**

Included in other assets is an additional amount of financing receivables totaling approximately \$121.3 million at December 31, 2012 and \$108.7 million at December 31, 2011. The nonaccrual balance of financing receivables at December 31, 2012 and 2011 was zero and \$102.6 million, respectively. No financing receivables were 90 days past due at December 31, 2012. The recorded investment for financing receivables past due 90 days associated with two financing receivables was \$17.3 million at December 31, 2011. All financing receivables are individually evaluated for impairment.

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

	December 31, 2012			December 31, 2011		
	Unpaid Principal Balance	Recorded Investment	Allowance Allocated	Unpaid Principal Balance	Recorded Investment	Allowance Allocated
With no related allowance recorded:						
Commercial real estate	\$	\$	\$	\$ 106,623	\$ 83,378	\$
With an allowance recorded:						
Commercial real estate	10,750	10,750	7,000	86,121	81,475	50,175
Total	\$ 10,750	\$ 10,750	\$ 7,000	\$ 192,744	\$ 164,853	\$ 50,175

The following table presents the average recorded investment in impaired loans, which may include non-accrual loans and the related investment and preferred equity income recognized during the years ended December 31, 2012 and 2011, respectively (amounts in thousands):

	Year Ended December 31,	
	2012	2011
Average recorded investment in impaired loans	\$ 50,231	\$ 191,288
Investment and preferred equity income recognized	3,712	9,554

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

6. Investment in Unconsolidated Joint Ventures

We have investments in several real estate joint ventures with various partners, including CIF, SITQ, Canada Pension Plan Investment Board, or CPPIB, Prudential Real Estate Investors, or Prudential, Onyx Equities, or Onyx, The Witkoff Group, or Witkoff, Credit Suisse Securities (USA) LLC, or Credit Suisse, Jeff Sutton, or Sutton, Harel Insurance and Finance, or Harel, Louis Cappelli, or Cappelli, The Moinian Group, or Moinian, Vornado Realty Trust (NYSE: VNO), or Vornado, Blackstone, Gramercy Capital Corp. (NYSE: GKK), or Gramercy, Square Mile Capital Management LLC, or Square Mile, Plaza Global Real Estate Partners LP or Plaza, as well as private investors. All the investments below are voting interest entities, except for 33 Beekman, 3 Columbus Circle and 180/182 Broadway which are VIEs in which we are not the primary beneficiary. Our net equity investment in these three VIEs was \$117.7 million and \$161.9 million at December 31, 2012 and 2011, respectively. As we do not control the joint ventures listed below, we account for them under the equity method of accounting. We assess the accounting treatment for each joint venture on a stand-alone basis. This includes a

Table of Contents**SL Green Realty Corp.****Notes to Consolidated Financial Statements (Continued)****December 31, 2012****6. Investment in Unconsolidated Joint Ventures (Continued)**

review of each joint venture or LLC agreement to determine which party has what rights and whether those rights are protective or participating. In situations where we or our partner are involved in some or all of the following: approving the annual budget, receiving a detailed monthly reporting package from us, meeting with us on a quarterly basis to review the results of the joint venture, reviewing and approving the joint venture's tax return before filing, and approving all leases that cover more than a nominal amount of space relative to the total rentable space at each property, we do not consolidate the joint venture as we consider these to be substantive participation rights. Our joint venture agreements typically contain certain protective rights such as the requirement of partner approval to sell, finance or refinance the property and the payment of capital expenditures and operating expenditures outside of the approved budget or operating plan.

The table below provides general information on each of our joint ventures as of December 31, 2012 (amounts in thousands):

Property	Partner	Ownership Interest	Economic Interest	Square Feet	Acquired	Acquisition Price(\$) ⁽¹⁾
100 Park Avenue	Prudential	49.90%	49.90%	834	02/00	95,800
21 West 34 th Street	Sutton	50.00%	50.00%	30	07/05	22,400
1604-1610 Broadway	Onyx/Sutton	45.00%	63.00%	30	11/05	4,400
27-29 West 34 th Street	Sutton	50.00%	50.00%	41	01/06	30,000
717 Fifth Avenue ⁽⁹⁾	Sutton/Nakash	10.92%	10.92%	120	09/06	251,900
800 Third Avenue	Private Investors	42.95%	42.95%	526	12/06	285,000
1745 Broadway	Witkoff/SITQ/Lehman Bros.	32.26%	32.26%	674	04/07	520,000
1 and 2 Jericho Plaza	Onyx/Credit Suisse	20.26%	20.26%	640	04/07	210,000
16 Court Street	CIF	35.00%	35.00%	318	07/07	107,500
The Meadows ⁽²⁾	Onyx	50.00%	50.00%	582	09/07	111,500
388 and 390 Greenwich Street ⁽³⁾	SITQ	50.60%	50.60%	2,600	12/07	1,575,000
180/182 Broadway ⁽⁴⁾	Harel/Sutton	25.50%	25.50%	71	02/08	43,600
600 Lexington Avenue	CPPIB	55.00%	55.00%	304	05/10	193,000
11 West 34 th Street ⁽⁵⁾	Private Investor/Sutton	30.00%	30.00%	17	12/10	10,800
7 Renaissance	Cappelli	50.00%	50.00%	37	12/10	4,000
3 Columbus Circle ⁽⁶⁾	Moinian	48.90%	48.90%	769	01/11	500,000
280 Park Avenue ⁽⁷⁾	Vornado	50.00%	50.00%	1,237	03/11	400,000
1552-1560 Broadway ⁽⁸⁾	Sutton	50.00%	50.00%	49	08/11	136,550
747 Madison Avenue	Harel/Sutton	33.33%	33.33%	10	09/11	66,250
724 Fifth Avenue	Sutton	50.00%	50.00%	65	01/12	223,000
10 East 53 rd Street	CPPIB	55.00%	55.00%	390	02/12	252,500
33 Beekman ⁽¹⁰⁾	Harel/Naftali	45.90%	45.90%	145	08/12	31,000
West Coast office portfolio ⁽¹¹⁾	Blackstone/SquareMile/Gramercy	27.63%	27.63%	4,474	09/12	880,103
521 Fifth Avenue ⁽¹²⁾	Plaza	50.50%	50.50%	460	11/12	315,000
21 East 66 th Street ⁽¹³⁾	Private Investors	32.28%	32.28%	17	12/12	75,000
315 West 36 th Street	Private Investors	35.50%	35.50%	148	12/12	45,000

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

(2) We, along with Onyx, acquired the remaining 50% interest on a pro-rata basis in September 2009. We recorded a \$2.8 million depreciable real estate reserve in 2010 against this joint venture investment. In August 2012, Onyx made a capital contribution to the joint venture, which was distributed to us in full redemption of our preferred equity interest.

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

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SL Green Realty Corp.

Notes to Consolidated Financial Statements (Continued)

December 31, 2012

6. Investment in Unconsolidated Joint Ventures (Continued)

- (4) In December 2010, our 180-182 Broadway joint venture with Jeff Sutton announced an agreement with Pace University to convey a long-term ground lease condominium interest to Pace University for 20 floors of student housing. The joint venture also admitted Harel, which contributed \$28.1 million to the joint venture, for a 49% partnership interest. In August 2011, the joint venture sold the property located at 63 Nassau Street for \$2.8 million.
- (5) In December 2010, our \$12.0 million first mortgage collateralized by 11 West 34th Street was repaid at par, resulting in our recognition of additional income of approximately \$1.1 million. Simultaneous with the repayment, the joint venture was recapitalized with the Company having a 30% interest. The property is subject to a long-term net lease arrangement.
- (6) We issued 306,296 operating partnership units in connection with this investment. We had an obligation to fund an additional \$47.5 million to the joint venture, of which \$46.8 million has been funded as of December 31, 2012. This liability is recorded in accrued interest payable and other liabilities. In addition, we made a \$125.0 million bridge loan to this joint venture which bore interest at a rate of 7.5%. This loan was repaid when the joint venture refinanced its debt in April 2011. In September 2012, the joint venture sold to Young & Rubicam, Inc. a portion of the property, generally floors three through eight, through a condominium form of ownership, or Y&R units, for \$143.6 million. As the joint venture has an option to repurchase the Y&R unit, no gain was recognized as a result of this transaction.
- (7) In March 2011, we contributed our debt investment with a carrying value of \$286.6 million to a newly formed joint venture in which we hold a 50% interest. We realized \$38.7 million of additional income upon the contribution. This income is included in preferred equity and investment income. The joint venture paid us approximately \$111.3 million and also assumed \$30 million of related floating rate financing which matures in June 2016. In May 2011, this joint venture took control of the underlying property as part of a recapitalization transaction which valued the investment at approximately \$1.1 billion. We hold an effective 49.5% ownership interest in the joint venture.
- (8) In connection with this acquisition, the joint venture also acquired a long-term leasehold interest in the retail space and certain other spaces at 1560 Broadway, which is adjacent to 1552 Broadway. The purchase price relates only to the purchase of the 1552 Broadway interest which comprises 13,045 square feet. In May 2012, we, along with Sutton, acquired the property at 155 West 46th Street for \$8.4 million. This property is adjacent to 1552 and 1560 Broadway.
- (9) In June 2012, this retail condominium was recapitalized. The recapitalization triggered a promote which resulted in a reduction of our economic interest. In addition, we sold 50% of our remaining interest at a property valuation of \$617.6 million. We recognized \$67.9 million of additional cash income, equivalent to profit, due to the distribution of refinancing proceeds and a gain on sale of \$3.0 million, which is net of a \$1.0 million employee compensation award, accrued in connection with the realization of this investment gain as a bonus to certain employees that were instrumental in realizing the gain on this sale.
- (10) The joint venture acquired the fee interest in the property and will develop an approximately 30 story building for student housing. Upon completion of the development, the joint venture will convey a long-term ground lease condominium interest in the building to Pace University.
- (11) In September 2012, the Company, together with an affiliate of Blackstone, Gramercy and Square Mile, formed a joint venture to recapitalize a 31-property, 4.5-million-square-foot West Coast office portfolio. Following the recapitalization, Blackstone became the majority owner of the joint venture, with Equity Office Properties, a Blackstone affiliate, being responsible for the portfolio's management and leasing. Prior to the recapitalization, the Company held \$26.7 million in mezzanine and preferred equity positions in the entity that owned the portfolio. The new joint venture extended the \$678.8 million mortgage secured by the portfolio for a term of 2 years with a 1-year extension option. In addition, the joint venture entered into a new \$68.0 million mezzanine loan for a term of 2 years. See Note 5, "Debt and Preferred Equity Investments."
- (12) In November 2012, we sold our 49.5% partnership interest in 521 Fifth Avenue to Plaza Global Real Estate Partners for a gross valuation price of \$315.0 million for this property. We recognized a gain of \$19.4 million on the sale which is net of a \$1.0 million employee compensation award, accrued in connection with the realization of this investment gain as a bonus to certain employees that were instrumental in realizing the gain on this sale. This gain is included in equity in net gain on sale of interest in unconsolidated joint venture / real estate on the consolidated statement of income. We also refinanced the existing \$150.0 million loan with a \$170.0 million 7-year mortgage loan which bears interest at 220 basis points over LIBOR. Following the sale, we deconsolidated the entity effective November 30, 2012 and accounted our investment under the equity method because of lack of control.

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(13)

We hold a 32.28% interest in the three retail and 2 residential units and a 16.14% in four residential units.

In July 2012, we, along with our joint venture partner, sold One Court Square for \$481.1 million, which included the assumption by the purchaser of \$315.0 million of existing debt. We recognized a gain of \$1.0 million on the sale of this property.

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SL Green Realty Corp.

Notes to Consolidated Financial Statements (Continued)

December 31, 2012

6. Investment in Unconsolidated Joint Ventures (Continued)

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

In March 2012, we, along with our joint venture partner, Jeff Sutton, sold the property located at 141 Fifth Avenue for \$46.0 million. We recognized a gain on sale of this investment of \$7.3 million which is net of a \$1.5 million employee compensation award, accrued in connection with the realization of this investment gain as a bonus to certain employees that were instrumental in realizing the gain on this sale.

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

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

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

We generally finance our joint ventures with non-recourse debt. However, in certain cases we have provided guarantees or master leases for tenant space. These guarantees and master leases terminate upon the satisfaction of specified circumstances or repayment of the underlying loans. The first mortgage notes and other loans payable

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Notes to Consolidated Financial Statements (Continued)

December 31, 2012

6. Investment in Unconsolidated Joint Ventures (Continued)

collateralized by the respective joint venture properties and assignment of leases at December 31, 2012 and 2011, respectively, are as follows (amounts in thousands):

Property	Maturity Date	Interest Rate ⁽¹⁾	December 31, 2012	December 31, 2011
717 Fifth Avenue ⁽²⁾	06/2024	9.00%	\$ 294,509	\$
717 Fifth Avenue ⁽²⁾	07/2022	4.45%	300,000	
388 and 390 Greenwich Street ⁽³⁾	12/2017	3.20%	996,082	1,106,757
315 West 36 th Street	12/2017	3.04%	25,000	
800 Third Avenue	08/2017	6.00%	20,910	20,910
1 and 2 Jericho Plaza	05/2017	5.65%	163,750	163,750
1745 Broadway	01/2017	5.68%	340,000	340,000
21 West 34 th Street	12/2016	5.76%	100,000	100,000
280 Park Avenue	06/2016	6.57%	710,000	710,000
11 West 34 th Street	01/2016	4.82%	17,491	17,761
7 Renaissance	02/2015	10.00%	856	
100 Park Avenue	09/2014	6.64%	212,287	214,625
21 East 66 th Street	04/2013	5.63%	12,000	
1604-1610 Broadway ⁽⁴⁾		5.66%	27,000	27,000
One Court Square				315,000
141 Fifth Avenue				25,000
Total fixed rate debt			\$ 3,219,885	\$ 3,040,803
21 East 66 th Street	06/2033	2.88%	\$ 2,033	\$
521 Fifth Avenue ⁽⁵⁾	11/2019	2.41%	170,000	
388 and 390 Greenwich Street ⁽³⁾	12/2017	1.36%	142,297	31,622
600 Lexington Avenue	10/2017	2.32%	124,384	125,000
33 Beekman ⁽⁶⁾	08/2017	2.96%	18,362	
10 East 53 rd Street	02/2017	2.71%	125,000	
724 Fifth Avenue	01/2017	2.56%	120,000	
Other loan payable	06/2016	1.11%	30,000	30,000
3 Columbus Circle ⁽⁷⁾	04/2016	2.45%	247,253	254,896
The Meadows ⁽⁸⁾	09/2015	7.75%	57,000	84,698
747 Madison Avenue	10/2014	3.00%	33,125	33,125
West Coast office portfolio	09/2014	3.96%	745,025	
180/182 Broadway ⁽⁹⁾	12/2013	2.96%	71,524	30,722
16 Court Street	10/2013	2.71%	84,916	85,728
1552 Broadway ⁽¹⁰⁾	08/2013	3.21%	113,869	95,405
27-29 West 34 th Street ⁽¹¹⁾	05/2013	2.21%	53,375	53,900
717 Fifth Avenue ⁽²⁾				245,000
379 West Broadway ⁽¹²⁾				20,991
Total floating rate debt			\$ 2,138,163	\$ 1,091,087
Total mortgages and other loan payable			\$ 5,358,048	\$ 4,131,890

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- (1) Effective weighted average interest rate for the year ended December 31, 2012.
- (2) This loan was repaid in June 2012 and was replaced with a \$300.0 million mortgage and a \$290.0 million mezzanine loan. See Note 9 of the prior table.

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SL Green Realty Corp.

Notes to Consolidated Financial Statements (Continued)

December 31, 2012

6. Investment in Unconsolidated Joint Ventures (Continued)

- (3) Comprised of a \$576.0 million mortgage and a \$562.4 million mezzanine loan, both of which are fixed rate loans, except for \$72.0 million of the mortgage and \$70.3 million of the mezzanine loan which are floating. Up to \$200.0 million of the mezzanine loan, secured indirectly by these properties, is recourse to us. We believe it is unlikely that we will be required to perform under this guarantee.
- (4) This loan went into default in November 2009 due to the non-payment of debt service. The joint venture is in discussions with the special servicer to resolve this default.
- (5) In connection with the sale of our 49.5% membership interest in the entity, the existing loan was refinanced with a \$170.0 million 7-year mortgage. As we no longer controlled the entity, we deconsolidated the entity effective November 30, 2012. See Note 12 of prior table.
- (6) This loan has a committed amount of \$75.0 million, which is recourse to us. Our partner has indemnified us for their pro rata share of the recourse guarantee. A portion of the guarantee burns off upon the joint venture reaching certain milestones. We believe it is unlikely that we will be required to perform under this guarantee.
- (7) We provided 50% of a bridge loan to this joint venture. In April 2011, our joint venture with The Moinian Group which owns the property located at 3 Columbus Circle, New York, refinanced the bridge loan and replaced it with a \$260.0 million 5-year mortgage with the Bank of China, which carries a floating rate of interest of 210 basis points over the 30-day LIBOR, at which point SL Green and Deutsche Bank's bridge loan was repaid. The joint venture has the ability to increase the mortgage by \$40.0 million based on meeting certain performance hurdles. In connection with this obligation, we executed a master lease agreement. Our partner has executed a contribution agreement to reflect its pro rata obligation under the master lease. In February 2012, the terms of the mortgage were modified to remove the Y&R condominium from the mortgage lien and from the existing master lease. See Note 6 of prior table.
- (8) As a result of the refinancing and restructuring in August 2012, we replaced the existing loan with a \$60.0 million, 3-year mortgage, of which \$3.0 million was unfunded as of December 31, 2012, and recognized additional income of \$10.8 million due to the repayment of the previous mortgage at a discount.
- (9) This loan has a committed amount of \$90.0 million.
- (10) This loan has a committed amount of \$125.0 million.
- (11) In April 2012, this loan was extended by 1-year.
- (12) This property was sold in April 2012 and the mortgage was repaid at a discount.

We act as the operating partner and day-to-day manager for all our joint ventures, except for 800 Third Avenue, 1 and 2 Jericho Plaza, 3 Columbus Circle and The Meadows. We are entitled to receive fees for providing management, leasing, construction supervision and asset management services to our joint ventures. We earned approximately \$7.9 million, \$8.6 million and \$5.8 million from these services for the years ended December 31, 2012, 2011 and 2010, respectively. In addition, we have the ability to earn incentive fees based on the ultimate financial performance of certain of the joint venture properties.

Table of Contents**SL Green Realty Corp.****Notes to Consolidated Financial Statements (Continued)****December 31, 2012****6. Investment in Unconsolidated Joint Ventures (Continued)**

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

	2012	2011
Assets		
Commercial real estate property, net	\$ 6,910,991	\$ 5,699,113
Other assets	728,113	599,596
Total assets	\$ 7,639,104	\$ 6,298,709
Liabilities and members' equity		
Mortgages and other loans payable	\$ 5,358,048	\$ 4,131,890
Other liabilities	406,929	250,925
Members' equity	1,874,127	1,915,894
Total liabilities and members' equity	\$ 7,639,104	\$ 6,298,709
Company's net investment in unconsolidated joint ventures	\$ 1,032,243	\$ 893,933

The combined statements of income for the unconsolidated joint ventures, from acquisition date through three years ended December 31, 2012 are as follows (amounts in thousands):

	2012	2011	2010
Total revenues	\$ 511,157	\$ 480,935	\$ 593,159
Operating expenses	83,697	75,513	94,515
Real estate taxes	53,613	51,511	66,588
Transaction related costs	2,044	2,665	1,105
Interest	231,215	223,400	224,766
Depreciation and amortization	166,336	137,070	141,284
Total expenses	536,905	490,159	528,258
Gain on early extinguishment of debt	21,421		
Net (loss) income before gain on sale	\$ (4,327)	\$ (9,224)	\$ 64,901
Company's equity in net income of unconsolidated joint ventures	\$ 76,418	\$ 1,583	\$ 39,607

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

Gramercy Capital Corp.

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

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At December 31, 2012, we held 0.7 million shares, or approximately 1.3% of Gramercy's common stock. Our total investment of approximately \$2.2 million is based on the market value of our common stock investment in Gramercy at December 31, 2012. As we no longer have any significant influence over Gramercy, we account for

Table of Contents**SL Green Realty Corp.****Notes to Consolidated Financial Statements (Continued)****December 31, 2012****6. Investment in Unconsolidated Joint Ventures (Continued)**

our investment as available-for-sale securities. During 2012, we sold 2.5 million shares for net proceeds of \$6.8 million and realized gains of \$4.9 million. During 2011, we sold 2.1 million shares of Gramercy common stock and realized a gain of approximately \$4.5 million on the sale. These gains were reclassified out of accumulated other comprehensive loss.

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

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

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

7. Deferred Costs

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

	2012	2011
Deferred financing	\$ 152,596	\$ 113,620
Deferred leasing	285,931	238,394
	438,527	352,014
Less accumulated amortization	(177,382)	(141,228)
Deferred costs, net	\$ 261,145	\$ 210,786

Table of Contents**SL Green Realty Corp.****Notes to Consolidated Financial Statements (Continued)****December 31, 2012****8. Mortgages and Other Loans Payable**

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

Property	Maturity Date	Interest Rate⁽¹⁾	December 31, 2012	December 31, 2011
400 East 57th Street	02/2024	4.13%	\$ 70,000	\$
400 East 58th Street	02/2024	4.13%	30,000	
919 Third Avenue ⁽²⁾	06/2023	5.12%	500,000	500,000
100 Church	07/2022	4.68%	230,000	
One Madison Avenue	05/2020	5.91%	607,678	626,740
Other loan payable ⁽³⁾	09/2019	8.00%	50,000	50,000
885 Third Avenue	07/2017	6.26%	267,650	267,650
2 Herald Square	04/2017	5.36%	191,250	191,250
485 Lexington Avenue	02/2017	5.61%	450,000	450,000
120 West 45th Street	02/2017	6.12%	170,000	170,000
300 Main Street	02/2017	5.75%	11,500	11,500
762 Madison Avenue	02/2017	3.75%	8,371	
Landmark Square	12/2016	4.00%	84,486	86,000
420 Lexington Avenue ⁽⁴⁾	09/2016	7.50%	184,992	187,182
500 West Putnam	01/2016	5.52%	24,060	24,563
625 Madison Avenue	11/2015	7.22%	125,603	129,098
711 Third Avenue	06/2015	4.99%	120,000	120,000
125 Park Avenue	10/2014	5.75%	146,250	146,250
609 Partners, LLC ⁽⁵⁾	07/2014	5.00%	23	31,721
220 East 42nd Street	11/2013	5.25%	185,906	190,431
609 Fifth Avenue ⁽¹⁰⁾				94,963
673 First Avenue ⁽¹¹⁾				29,906
110 East 42nd Street ⁽¹²⁾				65,000
292 Madison Avenue ⁽¹³⁾				59,099
Total fixed rate debt			\$ 3,457,769	\$ 3,431,353
1515 Broadway ⁽⁶⁾	04/2018	3.60%	\$ 769,813	\$ 450,363
180 Maiden Lane ⁽⁷⁾	11/2016	2.42%	271,215	279,332
Master repurchase ⁽¹⁴⁾	09/2013	3.21%	116,667	
Other loan payable ⁽⁸⁾				62,792
521 Fifth Avenue ⁽⁹⁾				150,000
Total floating rate debt			\$ 1,157,695	\$ 942,487
Total mortgages and other loans payable			\$ 4,615,464	\$ 4,373,840

(1) Effective average interest rate for the year ended December 31, 2012.

(2)

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We own a 51% controlling interest in the joint venture that is the borrower on this loan. This loan is non-recourse to us. In June 2011, our joint venture replaced the \$219.9 million 6.87% mortgage that was due to mature in August 2011 with a \$500.0 million mortgage.

(3)

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

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SL Green Realty Corp.

Notes to Consolidated Financial Statements (Continued)

December 31, 2012

8. Mortgages and Other Loans Payable (Continued)

- (4) We increased this loan by \$40.0 million in March 2011.
- (5) As part of an acquisition, we issued 63.9 million units of our 5.0% Series E preferred units, or the Series E units, with a liquidation preference of \$1.00 per unit. As of December 31, 2012, 63.8 million Series E units had been redeemed.
- (6) We acquired the remaining interest in this joint venture in April 2011. As a result, we have consolidated this investment since April 2011. In April 2012, we refinanced the \$447.2 million mortgage that was due in December 2014 with a \$775.0 million 7-year mortgage which carries interest at the rate equal to the greater of (a) 285 basis points over 90-day LIBOR or (b) 3.6% per annum.
- (7) In connection with this consolidated joint venture obligation, we executed a master lease agreement. Our partner has executed a contribution agreement to reflect its pro rata share of the obligation under the master lease.
- (8) This loan, which was denominated in British pounds, bore interest at 250 basis points over the three-month GBP LIBOR. In November 2012, this loan was repaid in connection with the sale of the London property.
- (9) We assumed a \$140.0 million mortgage in connection with the acquisition of the remaining partnership interest in January 2011. As a result, we consolidated this investment since January 2011. In April 2011, we refinanced the property with a new \$150.0 million 2-year mortgage which carried a floating rate of interest of 200 basis points over the 30-day LIBOR. In November 2012, we sold 49.5% of our partnership interest in 521 Fifth Avenue and refinanced the property with a new \$170.0 million 7-year mortgage which bears interest at 220 basis points over LIBOR. As we no longer controlled the entity, we deconsolidated this entity effective November 30, 2012 and accounted for our investment under the equity method. See Note 6, "Investments in Unconsolidated Joint Ventures."
- (10) In December 2012, we repaid the \$93.3 million mortgage loan, which bore interest at a fixed rate of 5.85% per annum and was scheduled to mature in October 2013. We recognized a loss from early extinguishment of debt of approximately \$3.1 million consisting mainly of prepayment penalty.
- (11) In November 2012, we repaid the \$29.1 million mortgage loan, which bore interest at a fixed rate of 5.67% per annum and was scheduled to mature in February 2013. There was no prepayment penalty.
- (12) We took control of this property in May 2011 and assumed the mortgage as part of the transaction. This loan consists of a \$65.0 million A-tranche and an \$18.1 million B-tranche which was owed to us. The B-tranche does not accrue interest and is due only under certain circumstances as described in the loan agreement. In December 2012, we repaid the \$65.0 million mortgage loan, which bore interest at a fixed rate of 5.81% per annum and was scheduled to mature in July 2017. There was no prepayment penalty.
- (13) This property was sold in February 2012 and the related mortgage, which was included in liabilities related to assets held for sale at December 31, 2011, was assumed by the purchaser.
- (14) In September 2012, we entered into a Master Repurchase Agreement, or MRA, with a financial institution, with a maximum facility capacity of \$175.0 million, under which we agreed to sell certain debt investments in exchange for cash with a simultaneous agreement to repurchase the same debt investments at a certain date or on demand. The MRA's interest rate is based on 1-month LIBOR plus 300 basis points. The MRA matures in September 2013, and has a 1-year extension option.

At December 31, 2012 and 2011, the gross book value of the properties and debt and preferred equity investments collateralizing the mortgages and other loans payable was approximately \$7.6 billion and \$7.4 billion, respectively.

9. Corporate Indebtedness

2012 Credit Facility

In November 2012, we entered into a \$1.6 billion credit facility, or the 2012 credit facility, which refinanced, extended and upsized the previous 2011 revolving credit facility. The 2012 credit facility consists of a \$1.2 billion revolving credit facility, or the revolving credit facility, and a \$400.0 million term loan, or the term loan facility. The revolving credit facility matures in March 2017 and includes two six-month extension options, subject to certain conditions and the payment of an extension fee of 10 basis points for each such extension. We also have

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SL Green Realty Corp.

Notes to Consolidated Financial Statements (Continued)

December 31, 2012

9. Corporate Indebtedness (Continued)

an option, subject to customary conditions, without the consent of existing lenders, to increase the capacity under the revolving credit facility to \$1.5 billion at any time prior to the maturity date for the revolving credit facility, by obtaining additional commitments from our current lenders and other financial institutions. The term loan facility matures on March 30, 2018.

The 2012 credit facility bears interest at a spread over LIBOR ranging from (i) 100 basis points to 175 basis points for loans under the revolving credit facility and (ii) 115 basis points to 200 basis points for loans under the term loan facility, in each case based on the credit rating assigned to the senior unsecured long term indebtedness of ROP. At December 31, 2012, the applicable spread was 145 basis points for revolving credit facility and 165 basis points for the term loan facility. We are required to pay quarterly in arrears a 15 to 35 basis point fee on the unused balance of the commitments under the revolving credit facility. As of December 31, 2012, the facility fee was 30 basis points. At December 31, 2012, we had approximately \$79.5 million of outstanding letters of credit and \$70.0 million drawn under the revolving credit facility and \$400.0 million outstanding under the term loan facility, with total undrawn capacity of \$1.1 billion under the 2012 credit facility.

The Company, ROP and the Operating Partnership are all borrowers jointly and severally obligated under the 2012 credit facility. No other subsidiary of ours is an obligor under the 2012 credit facility.

The 2012 credit facility includes certain restrictions and covenants (see Restrictive Covenants below).

2011 Revolving Credit Facility

The 2012 credit facility replaced our \$1.5 billion revolving credit facility, or the 2011 revolving credit facility, which was terminated concurrently with the entering into the 2012 credit facility. The 2011 revolving credit facility bore interest at a spread over LIBOR ranging from 100 basis points to 185 basis points, based on the credit rating assigned to the senior unsecured long-term indebtedness of ROP, and required to pay quarterly in arrears a 17.5 to 45 basis point facility fee on the total commitments under the 2011 revolving credit facility. The 2011 revolving credit facility included certain restrictions and covenants and, as of the time of the termination of the 2011 revolving credit facility and as of November 2012, we were in compliance with all such restrictions and covenants.

2007 Revolving Credit Facility

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

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SL Green Realty Corp.

Notes to Consolidated Financial Statements (Continued)

December 31, 2012

9. Corporate Indebtedness (Continued)

Senior Unsecured Notes

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

Issuance	December 31, 2012 Unpaid Principal Balance	December 31, 2012 Accreted Balance	December 31, 2011 Accreted Balance	Coupon Rate ⁽¹⁾	Effective Rate	Term (in Years)	Maturity
March 26, 2007 ⁽²⁾	\$ 16,893	\$ 16,893	\$ 119,423	3.00%	3.00%	20	March 30, 2027
June 27, 2005 ⁽³⁾⁽⁴⁾	7	7	657	4.00%	4.00%	20	June 15, 2025
November 15, 2012 ⁽⁵⁾	200,000	200,000		4.50%	4.50%	10	December 1, 2022
March 16, 2010 ⁽⁵⁾	250,000	250,000	250,000	7.75%	7.75%	10	March 15, 2020
August 5, 2011 ⁽⁵⁾	250,000	249,620	249,565	5.00%	5.03%	7	August 15, 2018
October 12, 2010 ⁽⁶⁾	345,000	287,373	277,629	3.00%	7.13%	7	October 15, 2017
March 31, 2006 ⁽³⁾⁽⁷⁾	255,308	255,165	274,804	6.00%	6.02%	10	March 31, 2016
August 13, 2004 ⁽³⁾⁽⁷⁾	75,898	75,898	98,578	5.88%	5.88%	10	August 15, 2014
	\$ 1,393,106	\$ 1,334,956	\$ 1,270,656				

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

(2) In March 2007, the Operating Partnership issued \$750.0 million of these exchangeable notes. Interest on these notes is payable semi-annually on March 30 and September 30. The notes have an initial exchange rate representing an exchange price that was set at a 25.0% premium to the last reported sale price of our common stock on March 20, 2007, or \$173.30. The initial exchange rate is subject to adjustment under certain circumstances. The notes are senior unsecured obligations of the Operating Partnership and are exchangeable upon the occurrence of specified events and during the period beginning on the twenty-second scheduled trading day prior to the maturity date and ending on the second business day prior to the maturity date, into cash or a combination of cash and shares of our common stock, if any, at our option. The notes are currently redeemable at the Operating Partnership's option. The Operating Partnership may be required to repurchase the notes on March 30, 2017 and 2022, and upon the occurrence of certain designated events. On March 30, 2012, we repurchased \$102.2 million of aggregate principal amount of the exchangeable notes pursuant to a mandatory offer to repurchase the notes. On the issuance date, \$66.6 million was recorded in equity and was fully amortized as of March 31, 2012.

(3) Issued by ROP.

(4) Exchangeable senior debentures which are currently callable at par. In addition, the debentures can be put to ROP, at the option of the holder at par plus accrued and unpaid interest, on June 15, 2015 and 2020 and upon the occurrence of certain change of control transactions. As a result of the acquisition of all outstanding shares of common stock of Reckson, or the Reckson Merger, the adjusted exchange rate for the debentures is 7.7461 shares of our common stock per \$1,000 of principal amount of debentures and the adjusted reference dividend for the debentures is \$1.3491. During the year ended December 31, 2012, we repurchased \$650,000 of these bonds at par.

(5)

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

(6)

In October 2010, the Operating Partnership issued \$345.0 million of these exchangeable notes. Interest on these notes is payable semi-annually on April 15 and October 15. The notes had an initial exchange rate representing an exchange price that was set at a 30.0% premium to the last reported sale price of our common stock on October 6, 2010, or \$85.81. The initial exchange rate is subject to adjustment under certain circumstances. The current exchange rate is 11.6800 shares of our common stock per \$1,000 principal amount of these notes. The notes are senior unsecured obligations of the Operating Partnership and are exchangeable upon the occurrence of specified events and during the period beginning on the twenty-second scheduled trading day prior to the maturity date and ending on the second business day prior to the maturity date, into cash or a combination of cash and shares of our common stock, if any, at our

Table of Contents**SL Green Realty Corp.****Notes to Consolidated Financial Statements (Continued)****December 31, 2012****9. Corporate Indebtedness (Continued)**

option. The notes are guaranteed by ROP. On the issuance date, \$78.3 million was recorded in equity. As of December 31, 2012, approximately \$57.6 million remained unamortized.

(7)

On December 27, 2012, we repurchased \$42.4 million aggregate principal amount of notes, consisting of \$22.7 million of the 5.875% Notes and \$19.7 million of the 6.0% Notes, for a total consideration of \$46.4 million and realized a net loss on early extinguishment of debt of approximately \$3.8 million.

Restrictive Covenants

The terms of the 2012 credit facility and certain of our senior unsecured notes include certain restrictions and covenants which may limit, among other things, our ability to pay dividends (as discussed below), make certain types of investments, incur additional indebtedness, incur liens and enter into negative pledge agreements and dispose of assets, and which require compliance with financial ratios relating to the minimum amount of tangible net worth, a maximum ratio of total indebtedness to total asset value, a minimum ratio of EBITDA to fixed charges, a maximum ratio of secured indebtedness to total asset value and a maximum ratio of unsecured indebtedness to unencumbered asset value. The dividend restriction referred to above provides that, we will not during any time when a default is continuing, make distributions with respect to common stock or other equity interests, except to enable us to continue to qualify as a REIT for Federal income tax purposes. As of December 31, 2012 and 2011, we were in compliance with all such covenants.

Junior Subordinate Deferrable Interest Debentures

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

Principal Maturities

Combined aggregate principal maturities of mortgages and other loans payable, 2012 revolving credit facility, trust preferred securities, senior unsecured notes and our share of joint venture debt as of December 31, 2012, including as-of-right extension options, were as follows (amounts in thousands):

	Scheduled Amortization	Principal Repayments	Revolving Credit Facility	Term Loans and Trust Preferred Securities	Senior Unsecured Notes	Total	Joint Venture Debt
2013	\$ 49,496	\$ 299,009	\$	\$	\$	\$ 348,505	\$ 176,511
2014	52,515	146,273			75,898	274,686	309,090
2015	55,810	229,537			7	285,354	36,457
2016	55,299	516,754			255,165	827,218	528,278
2017	55,461	1,098,064			304,266	1,457,791	933,634
Thereafter	235,004	1,822,242	70,000	500,000	699,620	3,326,866	151,393
	\$ 503,585	\$ 4,111,879	\$ 70,000	\$ 500,000	\$ 1,334,956	\$ 6,520,420	\$ 2,135,363

Table of Contents**SL Green Realty Corp.****Notes to Consolidated Financial Statements (Continued)****December 31, 2012****9. Corporate Indebtedness (Continued)**

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

	Years Ended December 31,		
	2012	2011	2010
Interest expense	\$ 332,188	\$ 287,921	\$ 232,794
Interest income	(1,619)	(2,004)	(2,146)
Interest expense, net	\$ 330,569	\$ 285,917	\$ 230,648
Interest capitalized	\$ 12,218	\$ 5,123	\$

10. Fair Value of Financial Instruments

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

Cash and cash equivalents, restricted cash, accounts receivable and accounts payable balances reasonably approximate their fair values due to the short maturities of these items. Mortgages and other loans payable, junior subordinate deferrable interest debentures and the senior unsecured notes had an estimated fair value based on discounted cash flow models, based on Level 3 inputs, of approximately \$5.3 billion, compared to the book value of the related fixed rate debt of approximately \$4.9 billion at December 31, 2012. Our floating rate debt, inclusive of our 2012 revolving credit facility, but excluding \$30.0 million of which was swapped, had an estimated fair value based on discounted cash flow models, based on Level 3 inputs, of approximately \$1.6 billion, compared to the book value of the related floating rate debt of approximately \$1.6 billion at December 31, 2012. Our debt and preferred equity investments had an estimated fair value ranging between \$1.3 billion and \$1.4 billion, compared to the book value of approximately \$1.4 billion at December 31, 2012, based on Level 3 inputs.

Disclosure about fair value of financial instruments is based on pertinent information available to us as of December 31, 2012. Although we are not aware of any factors that would significantly affect the reasonable fair value amounts, such amounts have not been comprehensively revalued for purposes of these financial statements since that date and current estimates of fair value may differ significantly from the amounts presented herein.

11. Rental Income

The Operating Partnership is the lessor and the sublessor to tenants under operating leases with expiration dates ranging from January 1, 2013 to 2037. The minimum rental amounts due under the leases are generally either subject to scheduled fixed increases or adjustments. The leases generally also require that the tenants reimburse us for increases in certain operating costs and real estate taxes above their base year costs. Approximate future minimum rents to be received over the next five years and thereafter for non-cancelable operating leases in

Table of Contents**SL Green Realty Corp.****Notes to Consolidated Financial Statements (Continued)****December 31, 2012****11. Rental Income (Continued)**

effect at December 31, 2012 for the consolidated properties, including consolidated joint venture properties, and our share of unconsolidated joint venture properties are as follows (amounts in thousands):

	Consolidated Properties	Unconsolidated Properties
2013	\$ 989,702	\$ 214,291
2014	917,638	208,617
2015	863,405	195,122
2016	801,448	185,113
2017	717,112	168,718
Thereafter	3,915,024	720,492
	\$ 8,204,329	\$ 1,692,353

12. Related Party Transactions**Cleaning/ Security/ Messenger and Restoration Services**

Through Alliance Building Services, or Alliance, First Quality Maintenance, L.P., or First Quality, provides cleaning, extermination and related services, Classic Security LLC provides security services, Bright Star Couriers LLC provides messenger services, and Onyx Restoration Works provides restoration services with respect to certain properties owned by us. Alliance is partially owned by Gary Green, a son of Stephen L. Green, the chairman of our board of directors. In addition, First Quality has the non-exclusive opportunity to provide cleaning and related services to individual tenants at our properties on a basis separately negotiated with any tenant seeking such additional services. The Service Corporation has entered into an arrangement with Alliance whereby it will receive a profit participation above a certain threshold for services provided by Alliance to certain tenants at certain buildings above the base services specified in their lease agreements. Alliance paid the Service Corporation approximately \$4.0 million, \$2.7 million and \$2.2 million for the years ended December 31, 2012, 2011 and 2010, respectively. We paid Alliance approximately \$17.9 million, \$16.1 million and \$14.2 million for three years ended December 31, 2012, respectively, for these services (excluding services provided directly to tenants).

Marketing Services

A-List Marketing, LLC, or A-List, provides marketing services to us. Ms. Deena Wolff, a sister of Mr. Marc Holliday, is the owner of A-List. The aggregate amount of fees we paid to A-List for these marketing services was approximately \$155,500, \$140,300 and \$86,300 for the three years ended December 31, 2012, respectively.

Leases

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

Table of Contents**SL Green Realty Corp.****Notes to Consolidated Financial Statements (Continued)****December 31, 2012****12. Related Party Transactions (Continued)****Management Fees**

S.L. Green Management Corp., a consolidated entity, receives property management fees from an entity in which Stephen L. Green owns an interest. The aggregate amount of fees paid to S.L. Green Management Corp. from such entity was approximately \$384,900, \$420,300 and \$390,700 for the three years ended December 31, 2012, respectively.

Other

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

	2012	2011
Due from joint ventures	\$ 511	\$ 477
Other	7,020	3,524
Related party receivables	\$ 7,531	\$ 4,001
Due to a joint venture (included in Accounts payable and accrued expenses)	\$ (8,401)	\$

Gramercy Capital Corp.

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

13. Equity**Common Stock**

Our authorized capital stock consists of 260,000,000 shares, \$0.01 par value, of which we have authorized the issuance of up to 160,000,000 shares of common stock, \$0.01 par value per share, 75,000,000 shares of excess stock, at \$0.01 par value per share, and 25,000,000 shares of preferred stock, par value \$0.01 per share. As of December 31, 2012, 91,249,632 shares of common stock and no shares of excess stock were issued and outstanding.

In July 2011, we, along with the Operating Partnership, entered into an "at-the-market" equity offering program, or ATM Program, to sell an aggregate of \$250.0 million of our common stock. During the year ended December 31, 2012, we had sold 2.6 million shares of our common stock through the ATM Program for aggregate gross proceeds of approximately \$204.6 million (\$201.3 million of net proceeds after related expenses). The net proceeds were used to repay debt, fund new investments and for other corporate purposes. As of December 31, 2012, we had \$45.4 million available to issue under the ATM Program.

Perpetual Preferred Stock

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

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SL Green Realty Corp.

Notes to Consolidated Financial Statements (Continued)

December 31, 2012

13. Equity (Continued)

We have 7,700,000 shares of our 7.625% Series C cumulative redeemable preferred stock, or the Series C preferred stock, outstanding with a mandatory liquidation preference of \$25.00 per share. The Series C preferred stockholders receive annual dividends of \$1.90625 per share paid on a quarterly basis and dividends are cumulative, subject to certain provisions. We are entitled to redeem the Series C preferred stock at par for cash at our option. The Series C preferred stock was recorded net of underwriters' discount and issuance costs. In September 2012, we redeemed 4,000,000 shares of Series C preferred stock at a redemption price of \$25.00 per share plus \$0.3707 in accumulated and unpaid dividends on such preferred stock through September 24, 2012. We recognized \$6.3 million of costs to partially redeem the Series C preferred stock, which is included in preferred stock redemption costs on the consolidated statements of income.

We also had 4,000,000 shares of our 7.875% Series D cumulative redeemable preferred stock, or the Series D preferred stock, outstanding with a mandatory liquidation preference of \$25.00 per share. The Series D preferred stockholders received annual dividends of \$1.96875 per share paid on a quarterly basis and dividends were cumulative, subject to certain provisions. In July 2012, we redeemed all 4,000,000 shares of our Series D preferred stock at a redemption price of \$25.00 per share plus \$0.4922 in accumulated and unpaid dividends on such preferred stock through July 14, 2012. We recognized \$3.7 million of costs to redeem the Series D preferred stock, which is included in preferred stock redemption costs on the consolidated statements of income.

Dividend Reinvestment and Stock Purchase Plan

In March 2012, we filed a registration statement with the SEC for our dividend reinvestment and stock purchase plan, or DRIP, which automatically became effective upon filing. We registered 3,500,000 shares of our common stock under the DRIP. The DRIP commenced on September 24, 2011.

During the years ended December 31, 2012 and 2011, we issued approximately 1.3 million and 473 shares of our common stock and received approximately \$99.6 million and \$34,000 of proceeds, respectively, from dividend reinvestments and/or stock purchases under the DRIP. DRIP shares may be issued at a discount to the market price.

Second Amended and Restated 2005 Stock Option and Incentive Plan

We have a stock option and incentive plan. The Second Amended and Restated 2005 Stock Option and Incentive Plan, or the 2005 Plan, was approved by our board of directors in April 2010 and our stockholders in June 2010 at our annual meeting of stockholders. The 2005 Plan authorizes the issuance of stock options, stock appreciation rights, unrestricted and restricted stock, phantom shares, dividend equivalent rights and other equity-based awards. Subject to adjustments upon certain corporate transactions or events, awards with respect to up to a maximum of 10,730,000 fungible units may be granted under the 2005 Plan. Currently, different types of awards count against the limit on the number of fungible units differently, with (1) full-value awards (i.e., those that deliver the full value of the award upon vesting, such as restricted stock) counting as 1.65 fungible units per share subject to such award (2) stock options, stock appreciation rights and other awards that do not deliver full value and expire five year from the date of grant counting as 0.79 fungible units per share subject to such award and (3) all other awards (e.g., ten-year stock options) counting as 1.0 fungible units per share subject to such award. Awards granted under the 2005 Plan prior to the approval of the second amendment and restatement in June 2010 continue to count against the fungible unit limit based on the ratios that were in effect at the time such awards were granted, which may be different than the current ratios. As a result, depending on the types of awards issued, the 2005 Plan may result in the issuance of more or less than 10,730,000 shares. If a stock option

Table of Contents**SL Green Realty Corp.****Notes to Consolidated Financial Statements (Continued)****December 31, 2012****13. Equity (Continued)**

or other award granted under the 2005 Plan expires or terminates, the common stock subject to any portion of the award that expires or terminates without having been exercised or paid, as the case may be, will again become available for the issuance of additional awards. Shares of our common stock distributed under the 2005 Plan may be treasury shares or authorized but unissued shares. Currently, unless the 2005 Plan has been previously terminated by the board of directors, new awards may be granted under the 2005 Plan until June 15, 2020, which is the tenth anniversary of the date that the 2005 Plan was most recently approved by our stockholders. As of December 31, 2012, no fungible units were available for issuance under the 2005 Plan after reserving for shares underlying outstanding restricted stock units, phantom stock units granted pursuant to our Non-Employee Directors' Deferral Program and LTIP Units, including, among others, outstanding LTIP Units issued under our 2011 Long-Term Outperformance Plan, which remain subject to performance-based vesting.

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

The fair value of each stock option granted is estimated on the date of grant using the Black-Scholes option pricing model based on historical information with the following weighted average assumptions for grants during the years ended December 31, 2012, 2011 and 2010, respectively.

	2012	2011	2010
Dividend yield	2.00%	2.00%	2.00%
Expected life of option	3.7 years	4.2 years	5.1 years
Risk-free interest rate	0.46%	1.00%	2.09%
Expected stock price volatility	37.40%	47.98%	50.07%

A summary of the status of our stock options as of December 31, 2012, 2011 and 2010 and changes during the years then ended are presented below:

	2012		2011		2010	
	Options Outstanding	Weighted Average Exercise Price	Options Outstanding	Weighted Average Exercise Price	Options Outstanding	Weighted Average Exercise Price
Balance at beginning of year	1,277,200	\$ 63.37	1,353,002	\$ 58.85	1,324,221	\$ 56.74
Granted	361,331	75.36	212,400	66.42	180,250	62.00
Exercised	(382,612)	36.65	(243,901)	40.48	(109,636)	31.49
Lapsed or cancelled	(54,919)	72.99	(44,301)	65.89	(41,833)	77.33
Balance at end of year	1,201,000	\$ 75.05	1,277,200	\$ 63.37	1,353,002	\$ 58.85
Options exercisable at end of year	479,913	\$ 86.85	644,429	\$ 72.31	631,224	\$ 69.42
Weighted average fair value of options granted during the year	\$ 6,602,967		\$ 4,647,554		\$ 4,333,281	

All options were granted within a price range of \$20.67 to \$137.18. The remaining weighted average contractual life of the options outstanding was 4.07 years and the remaining average contractual life of the options exercisable was 4.31 years.

Table of Contents**SL Green Realty Corp.****Notes to Consolidated Financial Statements (Continued)****December 31, 2012****13. Equity (Continued)**

During the years ended December 31, 2012, 2011, and 2010, we recognized approximately \$5.1 million, \$4.7 million and \$4.4 million of compensation expense, respectively, for these options. As of December 31, 2012, there was approximately \$9.1 million of total unrecognized compensation cost related to unvested stock options, which is expected to be recognized over a weighted average period of three years.

Stock-based Compensation

Effective January 1, 1999, we implemented a deferred compensation plan, or the Deferred Plan, covering certain of our employees, including our executives. The shares issued under the Deferred Plan were granted to certain employees, including our executives and vesting will occur annually upon the completion of a service period or our meeting established financial performance criteria. Annual vesting occurs at rates ranging from 15% to 35% once performance criteria are reached. A summary of our restricted stock as of December 31, 2012, 2011 and 2010 and charges during the years then ended are presented below:

	2012	2011	2010
Balance at beginning of year	2,912,456	2,728,290	2,330,532
Granted	92,729	185,333	400,925
Cancelled	(200,284)	(1,167)	(3,167)
Balance at end of year	2,804,901	2,912,456	2,728,290
Vested during the year	408,800	66,299	153,644
Compensation expense recorded	\$ 6,930,381	\$ 17,365,401	\$ 15,327,206
Weighted average fair value of restricted stock granted during the year	\$ 7,023,942	\$ 21,768,084	\$ 28,269,983

The fair value of restricted stock that vested during the years ended December 31, 2012, 2011 and 2010 was \$22.4 million, \$4.3 million and \$16.6 million, respectively. As of December 31, 2012, there was \$11.1 million of total unrecognized compensation cost related to unvested restricted stock, which is expected to be recognized over a weighted average period of approximately 2.4 years.

For the years ended December 31, 2012, 2011 and 2010, approximately \$4.1 million, \$3.4 million and \$2.2 million, respectively, was capitalized to assets associated with compensation expense related to our long-term compensation plans, restricted stock and stock options.

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

2005 Long-Term Outperformance Compensation Program

In December 2005, the compensation committee of our board of directors approved a long-term incentive compensation program, the 2005 Outperformance Plan. Participants in the 2005 Outperformance Plan were entitled to earn LTIP Units in our Operating Partnership if our total return to stockholders for the three-year period beginning December 1, 2005 exceeded a cumulative total return to stockholders of 30%; provided that

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SL Green Realty Corp.

Notes to Consolidated Financial Statements (Continued)

December 31, 2012

13. Equity (Continued)

participants were entitled to earn LTIP Units earlier in the event that we achieved maximum performance for 30 consecutive days. On June 14, 2006, the compensation committee determined that under the terms of the 2005 Outperformance Plan, as of June 8, 2006, the performance period had accelerated and the maximum performance pool of \$49,250,000, taking into account forfeitures, had been earned. Under the terms of the 2005 Outperformance Plan, participants also earned additional LTIP Units with a value equal to the distributions that would have been paid with respect to the LTIP Units earned if such LTIP Units had been earned at the beginning of the performance period. The total number of LTIP Units earned under the 2005 Outperformance Plan by all participants as of June 8, 2006 was 490,475. Under the terms of the 2005 Outperformance Plan, all LTIP Units that were earned remained subject to time-based vesting, with one-third of the LTIP Units earned vesting on each of November 30, 2008 and the first two anniversaries thereafter based on continued employment. The earned LTIP Units received regular quarterly distributions on a per unit basis equal to the dividends per share paid on our common stock, whether or not they were vested.

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

2006 Long-Term Outperformance Compensation Program

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

The cost of the 2006 Outperformance Plan (approximately \$16.4 million, subject to adjustment for forfeitures) was amortized into earnings through July 31, 2011, the final vesting period. We recorded compensation expense of approximately \$70,000 and \$0.2 million during the years ended December 31, 2011 and 2010, respectively, in connection with the 2006 Outperformance Plan. The cost of the 2006 Outperformance Plan had been fully expensed as of September 30, 2011.

2010 Notional Unit Long-Term Compensation Plan

In December 2009, the compensation committee of our board of directors approved the general terms of the SL Green Realty Corp. 2010 Notional Unit Long-Term Compensation Program, or the 2010 Long-Term Compensation Plan. The 2010 Long-Term Compensation Plan is a long-term incentive compensation plan pursuant to which award recipients could earn, in the aggregate, from approximately \$15 million up to approximately \$75 million of LTIP Units in the Operating Partnership based on our stock price appreciation over three years beginning on December 1, 2009; provided that, if maximum performance had been achieved, approximately \$25 million of awards could be earned at any time after the beginning of the second year and an additional approximately \$25 million of awards could be earned at any time after the beginning of the third year. In order to achieve maximum performance under the 2010 Long-Term Compensation Plan, our aggregate stock price appreciation during the performance period had to equal or exceed 50%. The compensation committee determined that maximum performance had been achieved at or shortly after the beginning of each of the second and third years of the performance period and for the full performance period and, accordingly, 366,815 LTIP Units, 385,583 LTIP Units and 327,416 LTIP Units were earned under the 2010 Long-Term Compensation Plan in December 2010, 2011 and 2012, respectively. Substantially in accordance with the original terms of the program,

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SL Green Realty Corp.

Notes to Consolidated Financial Statements (Continued)

December 31, 2012

13. Equity (Continued)

50% of these LTIP Units vested on December 17, 2012 (accelerated from the original January 1, 2013 vesting date) and the remainder is scheduled to vest ratably on January 1, 2014 and 2015 based on continued employment. In accordance with the terms of the 2010 Long-Term Compensation Plan, distributions were not paid on any LTIP Units until they were earned, at which time we paid all distributions that would have been paid on the earned LTIP Units since the beginning of the performance period.

The cost of the 2010 Long-Term Compensation Plan (approximately \$31.7 million, subject to forfeitures) will be amortized into earnings through the final vesting period. We recorded compensation expense of approximately \$10.7 million, \$9.3 million and \$4.0 million during the years ended December 31, 2012, 2011 and 2010, respectively, related to the 2010 Long-Term Compensation Plan.

2011 Outperformance Plan

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

The cost of the 2011 Outperformance Plan (approximately \$26.1 million, subject to forfeitures) will be amortized into earnings through the final vesting period. We recorded compensation expense of approximately \$5.5 million and \$0.1 million during the years ended December 31, 2012 and 2011, respectively, related to the 2011 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 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

Table of Contents**SL Green Realty Corp.****Notes to Consolidated Financial Statements (Continued)****December 31, 2012****13. Equity (Continued)**

director's account is also credited for an equivalent amount of phantom stock units based on the dividend rate for each quarter.

During the year ended December 31, 2012, approximately 8,307 phantom stock units were earned. As of December 31, 2012, there were approximately 75,156 phantom stock units outstanding.

Employee Stock Purchase Plan

On September 18, 2007, our board of directors adopted the 2008 Employee Stock Purchase Plan, or ESPP, to encourage our employees to increase their efforts to make our business more successful by providing equity-based incentives to eligible employees. The ESPP is intended to qualify as an "employee stock purchase plan" under Section 423 of the Code, and has been adopted by the board to enable our eligible employees to purchase our shares of common stock through payroll deductions. The ESPP became effective on January 1, 2008 with a maximum of 500,000 shares of the common stock available for issuance, subject to adjustment upon a merger, reorganization, stock split or other similar corporate change. We filed a registration statement on Form S-8 with the SEC with respect to the ESPP. The common stock is offered for purchase through a series of successive offering periods. Each offering period will be three months in duration and will begin on the first day of each calendar quarter, with the first offering period having commenced on January 1, 2008. The ESPP provides for eligible employees to purchase the common stock at a purchase price equal to 85% of the lesser of (1) the market value of the common stock on the first day of the offering period or (2) the market value of the common stock on the last day of the offering period. The ESPP was approved by our stockholders at our 2008 annual meeting of stockholders. As of December 31, 2012, approximately 66,323 shares of our common stock had been issued under the ESPP.

Earnings per Share

Earnings per share for the years ended December 31, 2012, 2011 and 2010 is computed as follows (amounts in thousands):

Numerator (Income)	2012	2011	2010
Basic Earnings:			
Income attributable to SL Green common stockholders	\$ 155,984	\$ 617,232	\$ 270,826
Effect of Dilutive Securities:			
Redemption of units to common shares	5,597	14,629	4,574
Stock options			
Diluted Earnings:			
Income attributable to SL Green common stockholders	\$ 161,581	\$ 631,861	\$ 275,400

Table of Contents**SL Green Realty Corp.****Notes to Consolidated Financial Statements (Continued)****December 31, 2012****13. Equity (Continued)**

Denominator Weighted Average (Shares)	2012	2011	2010
Basic Shares:			
Shares available to common stockholders	89,319	83,762	78,101
Effect of Dilutive Securities:			
Redemption of units to common shares	3,207	1,985	1,321
3.0% exchangeable senior debentures due 2017			
3.0% exchangeable senior debentures due 2027			
4.0% exchangeable senior debentures due 2025			
Stock-based compensation plans	347	497	339
Diluted Shares	92,873	86,244	79,761

We have excluded approximately 627,000, 680,000 and 804,800 common stock equivalents from the diluted shares outstanding for the years ended December 31, 2012, 2011 and 2010, respectively, as they were anti-dilutive.

14. Noncontrolling Interests in Operating Partnership

The noncontrolling interest ownership in the Operating Partnership represents interests held by entities other than the Company. As of December 31, 2012 and 2011, the noncontrolling interest unit holders owned 2.94% (2,759,758 units) and 3.12% (2,764,737 units) of the Operating Partnership, respectively. At December 31, 2012, there were also 66,668 performance-based LTIP units outstanding. At December 31, 2012, 2,826,426 shares of our common stock were reserved for issuance upon redemption of units of limited partnership interest of the Operating Partnership.

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

In January 2012, as part of an acquisition, the Operating Partnership issued 1,902,000 4.5% Series G preferred units of limited partnership interest, or the Series G preferred units, with a liquidation preference of \$25.00 per unit. The Series G preferred unitholders receive annual dividends of \$1.125 per unit paid on a quarterly basis and dividends are cumulative, subject to certain provisions. The Series G preferred units are convertible into a number of common units of limited partnership interest in the Operating Partnership equal to (i) the liquidation preference plus accumulated and unpaid distributions on the conversion date divided by (ii) \$88.50. The common units of limited partnership interest in the Operating Partnership may be redeemed in exchange for our common stock on a 1-to-1 basis. The Series G preferred units also provide the holder with the right to require the Operating Partnership to repurchase the preferred units for cash before January 31, 2022.

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

Table of Contents**SL Green Realty Corp.****Notes to Consolidated Financial Statements (Continued)****December 31, 2012****14. Noncontrolling Interests in Operating Partnership (Continued)**

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

	Year Ended December 31, 2012	Year Ended December 31, 2011
Balance at beginning of period	\$ 195,030	\$ 84,338
Distributions	(3,296)	(1,264)
Issuance of common units	42,239	60,443
Redemption of common units	(87,513)	(865)
Net income	5,597	14,629
Accumulated other comprehensive loss allocation	(388)	(291)
Fair value adjustment	61,238	38,040
Balance at end of period	\$ 212,907	\$ 195,030

15. Benefit Plans

The building employees are covered by multi-employer defined benefit pension plans and post-retirement health and welfare plans. We participate in the Building Service 32BJ, or Union, Pension Plan and Health Plan. The Pension Plan is a multi-employer, non-contributory defined benefit pension plan that was established under the terms of collective bargaining agreements between the Service Employees International Union, Local 32BJ, the Realty Advisory Board on Labor Relations, Inc. and certain other employees. This Pension Plan is administered by a joint board of trustees consisting of union trustees and employer trustees and operates under employer identification number 13-1879376. The Pension Plan year runs from July 1 to June 30. Employers contribute to the Pension Plan at a fixed rate on behalf of each covered employee. Separate actuarial information regarding such pension plans is not made available to the contributing employers by the union administrators or trustees, since the plans do not maintain separate records for each reporting unit. However, on September 28, 2011 and September 28, 2012, the actuary certified that for the plan years beginning July 1, 2011 and July 1, 2012, respectively, the Pension Plan was in critical status under the Pension Protection Act of 2006. The Pension Plan trustees adopted a rehabilitation plan consistent with this requirement. No surcharges have been paid to the Pension Plan as of December 31, 2012. For the years ended December 31, 2012, 2011 and 2010, the Pension Plan received contributions from employers totaling \$212.7 million, \$201.3 million and \$193.3 million, respectively.

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

Table of Contents**SL Green Realty Corp.****Notes to Consolidated Financial Statements (Continued)****December 31, 2012****15. Benefit Plans (Continued)**

December 31, 2012, 2011 and 2010, the Health Plan received contributions from employers totaling \$893.3 million, \$843.2 million and \$770.8 million, respectively.

Contributions we made to the multi-employer plans for the years ended December 31, 2012, 2011 and 2010 are included in the table below (amounts in thousands):

Benefit Plan	2012	2011	2010
Pension Plan	\$ 2,506	\$ 2,264	\$ 1,835
Health Plan	8,020	6,919	5,754
Other plans	6,025	5,111	4,143
Total plan contributions	\$ 16,551	\$ 14,294	\$ 11,732

401(K) Plan

In August 1997, we implemented a 401(K) Savings/Retirement Plan, or the 401(K) Plan, to cover eligible employees of ours, and any designated affiliate. The 401(K) Plan permits eligible employees to defer up to 15% of their annual compensation, subject to certain limitations imposed by the Code. The employees' elective deferrals are immediately vested and non-forfeitable upon contribution to the 401(K) Plan. During 2000, we amended our 401(K) Plan to include a matching contribution, subject to ERISA limitations, equal to 50% of the first 4% of annual compensation deferred by an employee. During 2003, we amended our 401(K) Plan to provide for discretionary matching contributions only. For 2012, 2011 and 2010, a matching contribution equal to 50% of the first 6% of annual compensation was made. For the years ended December 31, 2012, 2011 and 2010, we made matching contributions of approximately \$561,000, \$502,000 and \$450,000, respectively.

16. Commitments and Contingencies

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

We have entered into employment agreements with certain executives, which expire between July 2013 and January 2014. The minimum cash-based compensation, including base salary and guaranteed bonus payments, associated with these employment agreements total approximately \$4.5 million for 2013. In addition these employment agreements provide for deferred compensation awards based on our stock price and which were valued at approximately \$1.0 million on the grant date. The value of these awards may change based on fluctuations in our stock price.

We maintain "all-risk" property and rental value coverage (including coverage regarding the perils of flood, earthquake and terrorism) within two property insurance portfolios and liability insurance. As of December 31, 2012, the first property portfolio maintains a blanket limit of \$775.0 million per occurrence, including terrorism, for the majority of the New York City properties in our portfolio. The second portfolio maintains a limit of \$750.0 million per occurrence, including terrorism, for some New York City properties and the majority of the Suburban properties. Both policies expire on December 31, 2013. Each policy includes \$100.0 million of flood coverage, with a lower sublimit for locations in high hazard flood zones. We maintain liability policies which cover

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SL Green Realty Corp.

Notes to Consolidated Financial Statements (Continued)

December 31, 2012

16. Commitments and Contingencies (Continued)

all our properties and provide limits of \$201.0 million per occurrence and in the aggregate per location. The liability policies expire on October 31, 2013. Additional coverage may be purchased on a stand-alone basis for certain assets.

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

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

Belmont had loss reserves of approximately \$6.2 million and \$6.4 million as of December 31, 2012 and 2011, respectively.

In June 2007, we renewed and extended the maturity date of the ground lease at 420 Lexington Avenue through December 31, 2029, with an option for further extension through 2080. Ground lease rent payments through 2029 will total approximately \$10.9 million per year. Thereafter, the ground lease will be subject to a revaluation by the parties thereto.

In October 2012, we, together with Stonehenge Partners, acquired a leasehold position at 1080 Amsterdam Avenue. The joint venture prepaid \$13.0 million of ground lease rent, which will be applied against rental payments over the term of the lease. The lease will expire on July 31, 2111 or earlier per terms of lease agreement. Land was estimated to be approximately 40% of the fair market value of the property. The portion of the lease attributed to land was classified as an operating lease and the remainder as a capital lease which had a cost basis of \$28.1 million at December 31, 2012.

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

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

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

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

In April 1988, the SL Green predecessor entered into a lease agreement for the property at 673 First Avenue, which has been capitalized for financial statement purposes. Land was estimated to be approximately 70% of the

Table of Contents**SL Green Realty Corp.****Notes to Consolidated Financial Statements (Continued)****December 31, 2012****16. Commitments and Contingencies (Continued)**

fair market value of the property. The portion of the lease attributed to land was classified as an operating lease and the remainder as a capital lease. The initial lease term was 49 years with an option for an additional 25 years. In November 2012, we extended the lease to August 2087, an additional 50 years past its scheduled 2037 expiration date, with an effective date of September 2012. We continue to lease the property located at 673 First Avenue, which has been classified as a capital lease with a cost basis of \$12.2 million and cumulative amortization of \$6.3 million and \$6.0 million at December 31, 2012 and 2011, respectively.

The following is a schedule of future minimum lease payments under capital leases and noncancellable operating leases with initial terms in excess of one year as of December 31, 2012 (amounts in thousands):

December 31,	Capital lease	Non-cancellable operating leases
2013	\$ 1,555	\$ 37,431
2014	1,705	37,531
2015	1,743	37,757
2016	1,857	38,315
2017	2,007	38,561
Thereafter	99,828	1,482,791
Total minimum lease payments	108,695	\$ 1,672,386
Less amount representing interest	(71,177)	
Present value of net minimum lease payments	\$ 37,518	

17. Financial Instruments: Derivatives and Hedging

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

The following table summarizes the notional and fair value of our derivative financial instruments at December 31, 2012 based on Level 2 information pursuant to ASC 810-10. The notional value is an indication of the extent of our involvement in these instruments at that time, but does not represent exposure to credit, interest rate or market risks (amounts in thousands).

	Notional Value	Strike Rate	Effective Date	Expiration Date	Fair Value
Interest Rate Cap	\$ 775,000	3.650%	04/2012	04/2013	\$
Interest Rate Cap	\$ 475,000	6.000%	03/2012	03/2013	\$
Interest Rate Cap	\$ 271,912	6.000%	11/2012	11/2013	\$
Interest Rate Swap	\$ 30,000	2.295%	07/2010	06/2016	\$ (1,881)
Interest Rate Swap	\$ 8,500	0.740%	02/2012	02/2015	\$ (78)

Table of Contents**SL Green Realty Corp.****Notes to Consolidated Financial Statements (Continued)****December 31, 2012****17. Financial Instruments: Derivatives and Hedging (Continued)**

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

On December 31, 2012, the derivative instruments were reported as an obligation at their fair value of approximately \$2.0 million. This is included in Other Liabilities on the consolidated balance sheet at December 31, 2012. Included in accumulated other comprehensive loss at December 31, 2012 was approximately \$16.8 million from the settlement of hedges, which are being amortized over the remaining term of the related mortgage obligation, and active hedges and our share of joint venture accumulated other comprehensive loss of approximately \$16.1 million. Currently, all of our designated derivative instruments are effective hedging instruments.

In March 2010, we terminated forward swaps which resulted in a net loss of approximately \$19.5 million from the settlement of the hedges. This payment was included in financing activities in the consolidated statement of cash flows. This loss will be amortized over the 10-year term of the related financing. This loss is included in the \$16.8 million balance noted above. The balance in accumulated other comprehensive loss relating to derivatives was \$32.9 million and \$35.4 million at December 31, 2012 and 2011, respectively.

Over time, the realized and unrealized gains and losses held in accumulated other comprehensive loss will be reclassified into earnings as an adjustment to interest expense in the same periods in which the hedged interest payments affect earnings. We estimate that approximately \$2.1 million of the current balance held in accumulated other comprehensive loss will be reclassified into interest expense and \$4.9 million of the portion related to our share of joint venture accumulated other comprehensive loss will be reclassified into equity in net income from unconsolidated joint ventures within the next 12 months.

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

The following table presents the effect of our derivative financial instruments and our share of our joint venture's derivative financial instruments on the consolidated statements of income as of December 31, 2012, 2011 and 2010, respectively (amounts in thousands):

Designation\Cash Flow	Derivative	Amount of (Loss) or Gain Recognized in Other Comprehensive Loss (Effective Portion) For the Year Ended December 31,			Amount of (Loss) or Gain Reclassified from Accumulated Other Comprehensive Loss into Interest Expense/ Equity in net income of unconsolidated joint ventures (Effective Portion) For the Year Ended December 31,			Amount of (Loss) or Gain Recognized in Interest Expense/ Equity in Net Income of Unconsolidated Joint Ventures (Ineffective Portion) For the Year Ended		
		2012	2011	2010	2012	2011	2010	2012	2011	2010
Qualifying	Interest Rate Swaps/Caps	\$ (10,594)	\$ (16,049)	\$ (17,619)	\$ (12,657)	\$ (12,625)	\$ (12,661)	\$ (3)	\$ (16)	\$ (1,329)
Non-qualifying	Interest Rate Caps/Currency Hedges							\$ (847)	(82)	

Table of Contents**SL Green Realty Corp.****Notes to Consolidated Financial Statements (Continued)****December 31, 2012****18. Environmental Matters**

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

19. Segment Information

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

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

Selected results of operations for the years ended December 31, 2012, 2011 and 2010, and selected asset information as of December 31, 2012 and 2011, regarding our operating segments are as follows (amounts in thousands):

	Real Estate Segment	Debt and Preferred Equity Segment	Total Company
Total revenues			
Year ended:			
December 31, 2012	\$ 1,281,100	\$ 119,155	\$ 1,400,255
December 31, 2011	1,143,010	120,418	1,263,428
December 31, 2010	936,460	147,926	1,084,386
Income from continuing operations before equity in net gain on sale of unconsolidated joint venture/ partial interest and purchase price fair value adjustments:			
Year ended:			
December 31, 2012	\$ 63,958	\$ 92,946	\$ 156,904
December 31, 2011	23,107	101,037	124,144
December 31, 2010	27,101	120,585	147,686
Total assets			
As of:			
December 31, 2012	\$ 13,021,095	\$ 1,366,659	\$ 14,387,754
December 31, 2011	12,490,502	993,350	13,483,852

Income from continuing operations represents total revenues less total expenses for the real estate segment and total investment income less allocated interest expense for the debt and preferred equity segment. Interest

Table of Contents**SL Green Realty Corp.****Notes to Consolidated Financial Statements (Continued)****December 31, 2012****19. Segment Information (Continued)**

costs for the debt and preferred equity segment are imputed assuming 100% leverage at our 2012 revolving credit facility borrowing cost. We also allocate loan loss reserves, net of recoveries, to the debt and preferred equity segment. We do not allocate marketing, general and administrative expenses and transaction related costs (totaling approximately \$88.5 million, \$85.7 million and \$87.8 million for the years ended December 31, 2012, 2011 and 2010, respectively) to the debt and preferred equity segment since we base performance on the individual segments prior to allocating marketing, general and administrative expenses. All other expenses, except interest, relate entirely to the real estate assets.

There were no transactions between the above two segments.

The table below reconciles income from continuing operations to net income attributable to SL Green common stockholders for the years ended December 31, 2012, 2011 and 2010 (amounts in thousands):

	Years ended December 31,		
	2012	2011	2010
Income from continuing operations before equity in net gain on sale of unconsolidated joint venture and purchase price fair value adjustments	\$ 156,904	\$ 124,144	\$ 147,686
Equity in net gain on sale of interest in unconsolidated joint venture/ real estate	37,053	2,918	128,921
Purchase price fair value adjustment		498,195	
Income from continuing operations	193,957	625,257	276,607
Net income from discontinued operations	9,116	5,780	7,064
Gain on sale of discontinued operations	6,627	46,085	35,485
Net income	209,700	677,122	319,156
Net income attributable to noncontrolling interests in operating partnership	(5,597)	(14,629)	(4,574)
Net income attributable to noncontrolling interests in other partnerships	(5,591)	(15,083)	(14,007)
Preferred units distribution	(2,107)		
Net income attributable to SL Green	196,405	647,410	300,575
Preferred stock redemption costs	(10,010)		
Preferred stock dividends	(30,411)	(30,178)	(29,749)
Net income attributable to SL Green common stockholders	\$ 155,984	\$ 617,232	\$ 270,826

Table of Contents**SL Green Realty Corp.****Notes to Consolidated Financial Statements (Continued)****December 31, 2012****20. Supplemental Disclosure of Non-Cash Investing and Financing Activities**

The following table provides information on non-cash investing and financing activities for the years ended December 31, 2012 and 2011, respectively (amounts in thousands):

	Years ended December 31,	
	2012	2011
Issuance of common stock as deferred compensation	\$ 722	\$ 699
Issuance of units in the operating partnership	42,239	62,443
Redemption of units in the operating partnership	87,513	865
Derivative instruments at fair value	92	1,870
Assignment of debt investment to joint venture	25,362	286,571
Mortgage assigned to joint venture		30,000
Tenant improvements and capital expenditures payable	1,738	3,990
Fair value adjustment to noncontrolling interest in operating partnership	61,238	39,040
Accrued acquisition liabilities		34,500
Assumption of mortgage loans		943,767
Consolidation of real estate investments and other adjustments		1,156,929
Consolidation of real estate investments noncontrolling interest in other partnerships		87,264
Repayment of mezzanine loans	13,750	
Redemption of Series E units	31,698	
Repayment of financing receivable	28,195	
Investment in joint venture	5,135	
Capital lease obligation	28,132	
Deconsolidation of a subsidiary	104,107	
Transfer to net assets held for sale	4,901	
Transfer to liabilities related to net assets held for sale	136	
Issuance of preferred units	47,550	

Table of Contents**SL Green Realty Corp.****Notes to Consolidated Financial Statements (Continued)****December 31, 2012****21. Quarterly Financial Data (unaudited)**

We are providing updated summary selected quarterly financial information, which is reflective of the reclassification of the properties sold or held during 2012 and 2011 as discontinued operations. Quarterly data for the last two years is presented in the tables below (in thousands).

2012 Quarter Ended	December 31	September 30	June 30	March 31
Total revenues	\$ 350,733	\$ 361,385	\$ 349,004	\$ 339,133
Income net of noncontrolling interests and before gains on sale	3,235	28,010	95,328	19,074
Equity in net gain (loss) on sale of interest in unconsolidated joint venture/ real estate	19,277	(4,807)	15,323	7,260
Purchase price fair value adjustment				
Loss on early extinguishment of debt	(6,978)			
Gain on sale of investment in marketable securities	2,703	2,237		
Net income (loss) from discontinued operations	9,126	217	(67)	(160)
Gain on sale of discontinued operations				6,627
Net income attributable to SL Green	27,363	25,657	110,584	32,801
Preferred stock redemption costs		(10,010)		
Preferred stock dividends	(7,407)	(7,915)	(7,544)	(7,545)
Net income attributable to SL Green common stockholders	\$ 19,956	\$ 7,732	\$ 103,040	\$ 25,256
Net income per common share Basic	\$ 0.23	\$ 0.09	\$ 1.15	\$ 0.29
Net income per common share Diluted	\$ 0.23	\$ 0.09	\$ 1.14	\$ 0.29
2011 Quarter Ended	December 31	September 30	June 30	March 31
Total revenues	\$ 328,877	\$ 306,624	\$ 298,705	\$ 329,222
Income net of noncontrolling interests and before gains on sale	1,833	9,544	10,176	72,898
Equity in net gain (loss) on sale of interest in unconsolidated joint venture/ real estate	(114)	3,032		
Purchase price fair value adjustment	8,306	999	475,102	13,788
Gain (loss) on early extinguishment of debt		(67)	971	
Gain (loss) on sale of investment in marketable securities	4,999		(6)	(127)
Depreciable real estate reserves	(5,789)			
Net income from discontinued operations	1,116	1,116	1,675	1,873
Gain on sale of discontinued operations			46,085	
Net income attributable to SL Green	10,351	14,624	534,003	88,432
Preferred stock dividends	(7,543)	(7,545)	(7,545)	(7,545)
Net income attributable to SL Green common stockholders	\$ 2,808	\$ 7,079	\$ 526,458	\$ 80,887
Net income per common share Basic	\$ 0.03	\$ 0.08	\$ 6.30	\$ 1.02

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Net income per common share Diluted \$ 0.03 \$ 0.08 \$ 6.26 \$ 1.01

22. Subsequent Events

In January 2013, we sold 50% of our interest in the \$118.2 million mezzanine loan for \$57.8 million, which generated additional income of \$12.9 million.

In February 2013, we refinanced the \$775.0 million mortgage at 1515 Broadway that was due to mature in April 2018 with a \$900.0 million 12-year mortgage which carries a rate of interest of 3.93% per annum.

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SL Green Realty Corp.
Schedule II Valuation and Qualifying Accounts
December 31, 2012
(Dollars in thousands)

Column A Description	Column B Balance at Beginning of Year	Column C Additions Charged Against Operations	Column D Uncollectible Accounts Written-off	Column E Balance at End of Year
Year Ended December 31, 2012				
Tenant and other receivables allowance	\$ 16,772	10,147	(5,267)	\$ 21,652
Deferred rent receivable allowance	\$ 29,156	3,193	(2,769)	\$ 29,580
Year Ended December 31, 2011				
Tenant and other receivables allowance	\$ 12,981	4,537	(746)	\$ 16,772
Deferred rent receivable allowance	\$ 30,834	6,638	(8,316)	\$ 29,156
Year Ended December 31, 2010				
Tenant receivables allowance	\$ 14,271	2,165	(3,455)	\$ 12,981
Deferred rent receivable allowance	\$ 24,347	3,138	3,349	\$ 30,834

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SL Green Realty Corp.
Schedule III Real Estate And Accumulated Depreciation
December 31, 2012
(Dollars in thousands)

Column A Description	Column B Encumbrances	Column C Initial Cost		Column D Cost Capitalized Subsequent To Acquisition		Column E Gross Amount at Which Carried at Close of Period			Column F Accumulated Depreciation	Column G Date of Construction	Column H Date Acquired	Column I Life on Which Depreciation is Computed
		Land	Building & Improvements	Land	Building & Improvements	Land	Improvements	Total				
673 First Ave ⁽¹⁾	\$	\$	\$ 35,727	\$	\$ 12,008	\$	\$ 47,735	\$ 47,735	\$ 18,538	1928	8/1997	Various
420 Lexington Ave ⁽¹⁾	184,992		107,832		150,505		258,337	258,337	78,299	1927	3/1998	Various
711 Third Avenue ⁽¹⁾	120,000	19,844	42,499		32,412	19,844	74,911	94,755	26,054	1955	5/1998	Various
555 W. 57th Street ⁽¹⁾		18,846	78,704		37,612	18,846	116,316	135,162	40,143	1971	1/1999	Various
317 Madison Ave ⁽¹⁾		21,205	85,559		28,469	21,205	114,028	135,233	46,077	1920	6/2001	Various
220 East 42nd Street ⁽¹⁾	185,906	50,373	203,727	635	42,141	51,008	245,868	296,876	64,001	1929	2/2003	Various
461 Fifth Avenue ⁽¹⁾			62,695		6,738		69,433	69,433	17,444	1988	10/2003	Various
750 Third Avenue ⁽¹⁾		51,093	205,972		30,120	51,093	236,092	287,185	54,689	1958	7/2004	Various
625 Madison Ave ⁽¹⁾	125,603		246,673		28,502		275,175	275,175	60,598	1956	10/2004	Various
485 Lexington Avenue ⁽¹⁾	450,000	77,517	326,825	765	86,025	78,282	412,850	491,132	98,492	1956	12/2004	Various
609 Fifth Avenue ⁽¹⁾		36,677	145,954		4,640	36,677	150,594	187,271	24,420	1925	6/2006	Various
120 West 45th Street ⁽¹⁾	170,000	60,766	250,922		12,635	60,766	263,557	324,323	42,272	1998	1/2007	Various
810 Seventh Avenue ⁽¹⁾		114,077	476,386		39,315	114,077	515,701	629,778	83,226	1970	1/2007	Various
919 Third Avenue ⁽¹⁾⁽⁵⁾	500,000	223,529	1,033,198	35,410	8,084	258,939	1,041,282	1,300,221	160,004	1970	1/2007	Various
1185 Avenue of the Americas ⁽¹⁾			728,213		30,143		758,356	758,356	129,505	1969	1/2007	Various
1350 Avenue of the Americas ⁽¹⁾		91,038	380,744		22,694	91,038	403,438	494,476	66,036	1966	1/2007	Various
1100 King Street												
1-7 International Drive ⁽²⁾		49,392	104,376	2,473	8,795	51,865	113,171	165,036	21,597	1983/1986	1/2007	Various
520 White Plains Road ⁽²⁾		6,324	26,096		2,593	6,324	28,689	35,013	5,545	1979	1/2007	Various
115-117 Stevens Avenue ⁽²⁾		5,933	23,826		5,177	5,933	29,003	34,936	5,703	1984	1/2007	Various
100 Summit Lake Drive ⁽²⁾		10,526	43,109		6,762	10,526	49,871	60,397	8,464	1988	1/2007	Various
200 Summit Lake Drive ⁽²⁾		11,183	47,906		3,263	11,183	51,169	62,352	8,847	1990	1/2007	Various
500 Summit Lake Drive ⁽²⁾		9,777	39,048		4,183	9,777	43,231	53,008	6,701	1986	1/2007	Various
140 Grand Street ⁽²⁾		6,865	28,264		3,557	6,865	31,821	38,686	5,503	1991	1/2007	Various
360 Hamilton Avenue ⁽²⁾		29,497	118,250		10,549	29,497	128,799	158,296	21,318	2000	1/2007	Various
1-6 Landmark Square ⁽³⁾	84,486	50,947	195,167		20,533	50,947	215,700	266,647	34,333	1973-1984	1/2007	Various
7 Landmark Square ⁽³⁾		2,088	7,748	(367)	(153)	1,721	7,595	9,316	209	2007	1/2007	Various
300 Main Street ⁽³⁾	11,500	3,025	12,889		1,383	3,025	14,272	17,297	2,472	2002	1/2007	Various
680 Washington Boulevard ⁽³⁾⁽⁵⁾		11,696	45,364		4,031	11,696	49,395	61,091	8,040	1989	1/2007	Various
750 Washington Boulevard ⁽³⁾⁽⁵⁾		16,916	68,849		3,995	16,916	72,844	89,760	11,962	1989	1/2007	Various
1010 Washington Boulevard ⁽³⁾		7,747	30,423		3,354	7,747	33,777	41,524	5,447	1988	1/2007	Various
500 West Putnam Avenue ⁽³⁾	24,060	11,210	44,782		4,481	11,210	49,263	60,473	7,430	1973	1/2007	Various
150 Grand Street ⁽²⁾		1,371	5,446		10,119	1,371	15,565	16,936	563	1962	1/2007	Various
400 Summit Lake Drive ⁽²⁾		38,889		285	1	39,174	1	39,175		---	1/2007	Various
331 Madison Avenue ⁽¹⁾		14,763	65,241	(2,630)	(12,115)	12,133	53,126	65,259	8,556	1923	4/2007	Various
333 West 34th Street ⁽¹⁾		36,711	146,880		22,507	36,711	169,387	206,098	24,308	1954	6/2007	Various
1055 Washington Boulevard ⁽³⁾		13,516	53,228		2,524	13,516	55,752	69,268	9,008	1987	6/2007	Various
1 Madison Avenue ⁽¹⁾	607,678	172,641	654,394	905	12,848	173,546	667,242	840,788	90,742	1960	8/2007	Various
125 Chubb Way ⁽⁴⁾		5,884	25,958		23,169	5,884	49,127	55,011	1,669	2008	1/2008	Various
100 Church Street ⁽¹⁾	230,000	32,494	79,996	2,500	56,673	34,994	136,669	171,663	14,445	1959	1/2010	Various
125 Park Avenue ⁽¹⁾	146,250	120,900	189,714		18,791	120,900	208,505	329,405	16,538	1923	10/2010	Various
2 Herald Square ⁽¹⁾	191,250	92,655		100,633		193,288		193,288		---	12/2010	Various
885 Third Avenue ⁽¹⁾	267,650	131,766		110,771		242,537		242,537		---	12/2010	Various

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Williamsburg ⁽⁸⁾		3,677	14,708	2,523	(4,550)	6,200	10,158	16,358	560	2010	12/2010	Various
1515 Broadway ⁽¹⁾	769,813	462,700	707,938	1,145	19,683	463,845	727,621	1,191,466	38,921	1972	4/2011	Various
110 East 42nd Street ⁽¹⁾		34,000	46,411		4,214	34,000	50,625	84,625	3,424	1921	5/2011	Various
180 Maiden Lane ⁽¹⁾⁽⁷⁾	271,215	191,523	233,230		(683)	191,523	232,547	424,070	9,925	1984	11/2011	Various
51 East 42nd Street ⁽¹⁾	-	44,095	33,470	5	2,081	44,100	35,551	79,651	1,321	1913	11/2011	Various
400 East 57th Street ⁽¹⁾⁽⁹⁾	70,000	39,780	69,895		3,181	39,780	73,076	112,856	1,667	1931	1/2012	Various
400 East 58th Street ⁽¹⁾⁽⁹⁾	30,000	17,549	30,916		1,106	17,549	32,022	49,571	723	1929	1/2012	Various
752 Madison Avenue ⁽¹⁾⁽⁹⁾			7,131				7,131	7,131	372	1996/2012	1/2012	Various
762 Madison Avenue ⁽¹⁾⁽⁹⁾	8,371	6,153	10,461		11	6,153	10,472	16,625	251	1910	1/2012	Various
19-21 East 65th Street ⁽¹⁾⁽⁹⁾			7,389		132		7,521	7,521	171	1928-1940	1/2012	Various
304 Park Avenue ⁽¹⁾		54,189	75,619	300	1,109	54,489	76,728	131,217	1,715	1930	6/2012	Various
635 Sixth Avenue ⁽¹⁾		24,179	37,158	164	803	24,343	37,961	62,304	234	1902	9/2012	Various
641 Sixth Avenue ⁽¹⁾		45,668	67,316	308	430	45,976	67,746	113,722	629	1902	9/2012	Various
1080 Amsterdam ⁽¹⁾⁽¹⁰⁾			29,126				29,126	29,126		1932	10/2012	Various
131-137 Spring Street ⁽¹⁾		36,915	86,135			36,915	86,135	123,050		1891	12/2012	Various
985-987 Third Avenue ⁽¹⁾		5,400	12,600			5,400	12,600	18,000		1900/1972	12/2012	Various
Other ⁽⁶⁾		1,130		3,635	22,187	4,765	22,187	26,952	4,212			

Total \$4,448,774 \$2,626,639 \$7,938,087 \$259,460 \$838,767 \$2,886,099 \$8,776,854 \$11,662,953 \$1,393,323

-
- (1) Property located in New York, New York.
- (2) Property located in Westchester County, New York.
- (3) Property located in Connecticut.
- (4) Property located in New Jersey.
- (5) We own a 51% interest in this property.
- (6) Other includes tenant improvements at eEmerge, capitalized interest and corporate improvements.
- (7) We own a 49.9% interest in this property.
- (8) Property located in Brooklyn, New York.
- (9) We own a 80.0% interest in this property.
- (10) We own a 87.5% interest in this property.

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SL Green Realty Corp.
Schedule III Real Estate And Accumulated Depreciation
December 31, 2012
(Dollars in thousands)

The changes in real estate for the three years ended December 31, 2012 are as follows:

	2012	2011	2010
Balance at beginning of year	\$ 11,147,151	\$ 8,890,064	\$ 8,257,100
Property acquisitions	649,445	2,276,308	703,721
Improvements	146,410	162,875	97,099
Retirements/disposals/deconsolidation	(280,053)	(182,096)	(167,856)
Balance at end of year	\$ 11,662,953	\$ 11,147,151	\$ 8,890,064

The aggregate cost of land, buildings and improvements, before depreciation, for Federal income tax purposes at December 31, 2012 was approximately \$8.3 billion.

The changes in accumulated depreciation, exclusive of amounts relating to equipment, autos, and furniture and fixtures, for the three years ended December 31, 2012, are as follows:

	2012	2011	2010
Balance at beginning of year	\$ 1,136,603	\$ 916,293	\$ 738,422
Depreciation for year	288,560	245,421	209,472
Retirements/disposals/deconsolidation	(31,840)	(25,111)	(31,601)
Balance at end of year	\$ 1,393,323	\$ 1,136,603	\$ 916,293

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Report of Independent Registered Public Accounting Firm

The Stockholders
1515 Broadway Realty Corp.

We have audited the accompanying consolidated statements of income, equity and cash flows of 1515 Broadway Realty Corp. (the "Company") for the year ended December 31, 2010. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We were not engaged to perform an audit of the Company's internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated results of 1515 Broadway Realty Corp.'s operations and their cash flows for the year ended December 31, 2010, in conformity with U.S. generally accepted accounting principles.

/s/ Ernst & Young LLP

New York, New York
February 2, 2011

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1515 Broadway Realty Corp.
Consolidated Statement of Income
(Dollars in thousands)

	Year Ended December 31, 2010
Revenues:	
Rental revenue	\$ 77,438
Escalation and reimbursement revenues	24,044
Investment income	32
Other income	13
 Total revenues	 101,527
Expenses:	
Operating expenses	25,227
Asset management fee	100
Real estate taxes	20,016
Interest	21,398
Depreciation and amortization	14,570
 Total expenses	 81,311
 Net income	 20,216
Net income attributable to noncontrolling interest	(19)
 Net income attributable to stockholders	 20,216
Preferred stock dividend	(19)
 Net income attributable to common stockholders	 \$ 20,197

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

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1515 Broadway Realty Corp.
Consolidated Statement of Equity
Year Ended December 31, 2010
(Dollars in thousands)

	Series A Preferred Stock	Series B Subordinated Preferred Stock	Class A Common Stock	Additional Paid- In-Capital	Distribution in Excess of Earnings	Accumulated Other Comprehensive Income (Loss)	Noncontrolling Interests	Total	Comprehensive Income
Balance at December 31, 2009	\$ 100	\$	\$	\$ 255,452	\$ (192,226)	\$ (61)	\$ 617	\$ 63,882	
Comprehensive Income:									
Net income					20,216			20,216	\$ 20,216
Unrealized gain on derivative instruments						75		75	75
Preferred dividend					(19)			(19)	
Distributions to common stockholders					(9,500)			(9,500)	
Balance at December 31, 2010	\$ 100	\$	\$	\$ 255,452	\$ (181,529)	\$ 14	\$ 617	\$ 74,654	\$ 20,291

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

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1515 Broadway Realty Corp.
Consolidated Statement of Cash Flows
(Dollars in thousands)

	Year Ended December 31, 2010
Operating activities	
Net income	\$ 20,216
Adjustments to reconcile net income to net cash provided by operating activities:	
Depreciation and amortization	16,911
Deferred rent receivable, net	(1,951)
Provision for doubtful accounts	964
Changes in operating assets and liabilities:	
Restricted cash-operations	(1,002)
Tenant receivables	(209)
Deferred leasing costs	(4,853)
Other assets	6,156
Deferred revenue	(423)
Accounts payable and accrued expenses	(10,308)
 Net cash provided by operating activities	 25,501
Investing activities	
Additions to building and improvements	(13,364)
Restricted cash-capital improvements	700
 Net cash used in investing activities	 (12,664)
Financing activities	
Repayment of mortgage note payable	(12,103)
Deferred financing costs	(161)
Distributions paid	(9,519)
 Net cash used in financing activities	 (21,783)
 Net decrease in cash and cash equivalents	 (8,946)
Cash and cash equivalents at beginning of year	25,156
 Cash and cash equivalents at end of year	 16,210
Supplemental cash flow disclosures	
Interest paid	\$ 19,065
Supplemental disclosure of noncash transactions	
Additions to building and improvements accrued	\$ 692
Deferred leasing costs accrued	\$ 590

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

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1515 Broadway Realty Corp.

Notes to Consolidated Financial Statements

December 31, 2010

(Dollars in thousands)

1. Organization

1515 Broadway Realty Corp. (the "Company") is a Maryland corporation that qualifies as a real estate investment trust ("REIT") for Federal income tax purposes. The Company was formed by SL Green Private REIT LLC, a Delaware limited liability company ("SLG 1515") and the predecessor-in-interest of SITQ BST-REIT, LP, a Delaware limited partnership ("SITQ 1515"). SLG 1515 is owned by SL Green Operating Partnership, L.P., a Delaware limited partnership. SITQ 1515 is an indirect, wholly owned subsidiary of Caisse de dépôt et placement du Québec.

On May 15, 2002, the Company acquired an approximate 99.7% indirect fee ownership estate in the real property and improvements located at 1515 Broadway, New York, New York (the "Property"). The Property was acquired for approximately \$483,500. The Company's sole direct asset is its 99.9% membership interest in 1515 SLG Owner LLC which, through various entities, owns 99.8% of the Property, with the remaining 0.2% owned by the noncontrolling interest of the Company. The Property contains over 1.72 million rentable square feet. The Company currently does not intend to acquire other properties.

As a result of the loan modification, pre-determined performance thresholds were exceeded in November 2005, thereby increasing SLG 1515's economic interest in the Property to approximately 68.5%.

2. Basis of Presentation and Significant Accounting Policies

In June 2009, the Financial Accounting Standards Board (the "FASB") issued guidance regarding the Accounting Codification and the Hierarchy of Generally Accepted Accounting Principles ("GAAP"). This guidance establishes the FASB Accounting Standards Codification (the "Codification"), as the source of authoritative accounting principles recognized by the FASB to be applied by nongovernmental entities in the preparation of financial statements in conformity with GAAP, and states that all guidance contained in the Codification carries equal level of authority. Rules and interpretive releases of the Securities and Exchange Commission ("SEC"), under federal securities laws are also sources of authoritative GAAP for SEC registrants. The Codification does not change GAAP; however, it does change the way in which it is to be researched and referenced. This guidance is effective for financial statements issued for interim and annual periods ending September 15, 2009. The Company has implemented the Codification in these consolidated financial statements.

Principles of Consolidation

The consolidated financial statements include the accounts of the Company and its subsidiaries, which are wholly owned or controlled by the Company. This includes 1515 Broadway Finance LLC ("1515 Finance"). All the activity related to 1515 Finance is allocated exclusively to SLG 1515. All significant intercompany balances and transactions have been eliminated in consolidation.

Commercial Real Estate Property

Rental property is stated at cost, less accumulated depreciation. Costs directly related to the acquisition and redevelopment of rental property are capitalized. Ordinary repairs and maintenance are expensed as incurred; major replacements and betterments, which improve or extend the life of the asset, are capitalized and depreciated over their estimated useful lives. Fully depreciated assets are removed from the accounts.

Table of Contents**1515 Broadway Realty Corp.****Notes to Consolidated Financial Statements (Continued)****December 31, 2010****(Dollars in thousands)****2. Basis of Presentation and Significant Accounting Policies (Continued)**

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

Category	Term
Building (fee ownership)	40 years
Building improvements	Shorter of remaining life of the building or estimated useful life

At December 31, building and improvements consisted of the following:

	2010
Building	\$ 389,181
Improvements	70,044
Total	\$ 459,225

Depreciation expense amounted to \$12,170 for the year ended December 31, 2010.

On a periodic basis, management assesses whether there are any indicators that the value of the real estate property may be impaired. A property's value is impaired if the aggregate future cash flows (undiscounted and without interest charges) to be generated by the property are less than the carrying value of the property. To the extent impairment has occurred, the loss shall be measured as the excess of the carrying amount of the property over the fair value of the property. Management of the Company does not believe that the value of the property was impaired at December 31, 2010.

Upon acquisitions of real estate, the Company assesses the fair value of acquired assets including land, building and tenant improvements, acquired above and below market leases and the origination cost of acquired in-place leases and acquired liabilities, and allocates purchase price based on these assessments.

The Company assesses fair value based on estimated cash flow projections that utilize appropriate discount and capitalization rates and available market information. Estimates of future cash flows are based on a number of factors, including the historical operating results, known trends, and market/economic conditions that may affect the Property.

As a result of its evaluations, the Company recorded a deferred liability of \$3,643, representing the net value of acquired above and below market leases and assumed lease origination costs, which is included in deferred revenue. This amount is being amortized over the terms of the respective leases. For the year ended December 31, 2010, the Company recognized an increase in rental revenue of \$429 for the amortization of above and below market leases and assumed lease origination costs, and additional building depreciation of \$95 resulting from the reallocation of the purchase price to the applicable components. The accumulated amortization of the deferred liability at December 31, 2010 was \$3,215. Amortization for the next two years will be \$429 per year.

Cash and Cash Equivalents

The Company considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

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1515 Broadway Realty Corp.

Notes to Consolidated Financial Statements (Continued)

December 31, 2010

(Dollars in thousands)

2. Basis of Presentation and Significant Accounting Policies (Continued)

Restricted Cash

Restricted cash primarily consists of security deposits held on behalf of tenants and escrows for the payment of insurance, real estate taxes, leasing commissions and tenant improvements.

Deferred Leasing Costs

Deferred leasing costs consist of fees and direct costs incurred to initiate and renew operating leases and are amortized on a straight-line basis over the related lease term.

Deferred Financing Costs

Deferred financing costs represent commitment fees, legal and other third-party costs associated with obtaining commitments for financing which result in a closing of such financing. These costs are amortized over the terms of the respective agreements. Unamortized deferred financing costs are expensed when the associated debt is paid off before maturity.

Revenue Recognition

Minimum rental revenue is recognized on a straight-line basis over the term of the lease. The excess of rents recognized over amounts contractually due pursuant to the underlying leases are included in deferred rent receivable. The Company establishes, on a current basis, a reserve for future potential losses, which may occur against deferred rent receivable and tenant receivables.

Income Taxes

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

Pursuant to amendments to the Code that became effective January 1, 2001, we have elected, and may in the future, elect to treat certain of our existing or newly created corporate subsidiaries as taxable REIT subsidiaries, or TRS. In general, a TRS of ours may perform non-customary services for our tenants, hold assets that we cannot hold directly and generally may engage in any real estate or non-real estate related business. Our TRS recorded approximately \$109 in Federal, state and local tax (benefit)/expense, of which \$106 has been paid.

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

Table of Contents**1515 Broadway Realty Corp.****Notes to Consolidated Financial Statements (Continued)****December 31, 2010****(Dollars in thousands)****2. Basis of Presentation and Significant Accounting Policies (Continued)****Use of Estimates**

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

Concentrations of Credit Risk

Financial instruments that potentially subject the Company to concentrations of credit risk consist primarily of cash investments in excess of insured amounts and accounts receivable. The Company places its cash investments with high-quality financial institutions. Management of the Company performs ongoing credit evaluations of its tenants and requires certain tenants to provide security deposits or letters of credit. Although these security deposits and letters of credit are insufficient to meet the terminal 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. One tenant, whose lease ends between 2015 and 2020, represents approximately 72.7% of the Company's leased square footage and 75.2% of its annualized rent.

Derivative Financial Instruments

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

3. Deferred Costs

Deferred costs at December 31 consisted of the following:

	2010
Deferred financing	\$ 13,919
Deferred leasing	22,670
	36,589
Less accumulated amortization	(13,528)
	\$ 23,061

Amortization expense amounted to \$4,740 for the year ended December 31, 2010.

Table of Contents**1515 Broadway Realty Corp.****Notes to Consolidated Financial Statements (Continued)****December 31, 2010****(Dollars in thousands)****4. Rental Income**

The Company is the lessor to tenants under operating leases with expiration dates ranging from 2011 to 2024. The minimum rental amounts due under the leases are generally either subject to scheduled fixed increases or adjustments. The leases generally also require that the tenants reimburse the Company for increases in certain operating costs and real estate taxes above their base year costs. Future minimum rents to be received over the next five years and thereafter for noncancelable operating leases in effect at December 31, 2010 are as follows:

2011	\$ 84,219
2012	84,957
2013	83,624
2014	83,529
2015	43,667
Thereafter	166,222
	\$ 546,218

5. Related Party Transactions

Pursuant to the Property Management and Leasing Agreement, SL Green Management Corp., an affiliate of SLG 1515, is responsible for the (a) management and leasing (itself or through a wholly owned subsidiary) of the Property and (b) day-to-day corporate management of the Company and its subsidiaries. SL Green Management Corp. is entitled to a management fee equal to 2.0% of the gross receipts from the Property. SL Green Management Corp. is also entitled to certain leasing fees and construction fees as set forth in the Property Management and Leasing Agreement. SL Green Leasing LLC, a wholly owned subsidiary of SL Green Management Corp., is the leasing agent for the Property.

For the year ended December 31, 2010, SL Green Management Corp. earned \$3,124 in leasing commissions, \$2,007 in management fees, and \$827 in construction supervisory fees, respectively.

The Company has entered into two Asset Management Agreements (collectively, the "Asset Management Agreements") with an affiliate of SITQ 1515, SITQ Inc. ("SITQ Asset Manager") and with an affiliate of SLG 1515, SL Green Management LLC ("SLG Asset Manager").

Pursuant to the Asset Management Agreements, the SITQ Asset Manager and SLG Asset Manager are obligated to advise the Company on various strategic aspects with respect to the Property. As compensation for these arrangements, the SITQ Asset Manager will be paid \$100 per annum. There are business relationships with related parties, which involved repairs, maintenance and security expenses in the ordinary course of business. The Company's transactions with the related parties amounted to \$2,215 for the year ended December 31, 2010 and are a component of operating expense on accompanying consolidated statement of income.

Amounts due to related parties were \$596 at December 31, 2010.

On May 12, 2010, a majority owned subsidiary of SL Green Operating Partnership LP, which through various entities holds a majority interest in the Company, assumed a license agreement covering the entire rentable portion of the 11th and 12th floors ("Premises") of the Property. As such the affiliate agreed to pay the company fixed annual rent and additional rent with regard to the aforementioned Premises. For the year ended December 31, 2010, the Company recognized \$1,893 of rental income from the affiliate.

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1515 Broadway Realty Corp.

Notes to Consolidated Financial Statements (Continued)

December 31, 2010

(Dollars in thousands)

6. Financial Instruments: Derivatives and Hedging

In accordance with the new mortgage agreement, the Company has entered into an interest rate hedge to ensure that borrowing costs do not become prohibitive, should LIBOR increase before the debt matures in 2014. LIBOR is the floating rate index on the Company's \$475,000 mortgage note. Should the LIBOR index increase above 6% for the mortgage loan, a financial institution will pay the venture the interest cost above 6%. By hedging this risk, the Company's interest cost on \$475,000 becomes fixed when LIBOR is 6% or more. The hedging instrument, called an "interest rate cap", was an asset with a fair value of \$2 as of December 31, 2010. The \$75 change in value of this hedging instrument was recorded in accumulated other comprehensive income (loss).

7. Equity

On December 10, 2002, the Company issued 125 shares of Series A Preferred Stock, par value \$1. This cumulative nonvoting preferred stock is callable by the Company with a premium based on the period of time the stock has been outstanding. The call premium was 15% through December 31, 2007. The premium will be reduced each year thereafter by 2.5% per year, such that there will be no premium after January 1, 2011. Dividends, at 15% of par value per annum, are payable on June 30 and December 31 of each year. The Company received proceeds of \$100, net of issuance costs, from the sale of the Series A Preferred Stock.

8. Subsequent Events

The Company has evaluated subsequent events through the date in which these consolidated financial statements were available for issuance on February 2, 2011.

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ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 9A. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

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

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

Management's Report on Internal Control over Financial Reporting

We are responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rules 13a-15(f) and 15d-15(f). Under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, we conducted an evaluation of the effectiveness of our internal control over financial reporting as of December 31, 2012 based on the framework in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on that evaluation, we concluded that our internal control over financial reporting was effective as of December 31, 2012.

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

The effectiveness of the Company's internal control over financial reporting as of December 31, 2012 has been audited by Ernst & Young LLP, an independent registered public accounting firm, as stated in their report which appears herein.

Changes in Internal Control over Financial Reporting

There have been no significant changes in our internal control over financial reporting during the quarter ended December 31, 2012 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

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Report of Independent Registered Public Accounting Firm

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

We have audited SL Green Realty Corp.'s (the "Company") internal control over financial reporting as of December 31, 2012, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (the COSO criteria). The Company's management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

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

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

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

In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2012, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of the Company as of December 31, 2012 and 2011, and the related consolidated statements of income and comprehensive income, equity and cash flows for each of the three years in the period ended December 31, 2012 of the Company and our report dated February 27, 2013 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

New York, New York
February 27, 2013

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ITEM 9B. OTHER INFORMATION

None.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

The information required by Item 10 will be set forth in our Definitive Proxy Statement for our 2013 Annual Meeting of Stockholders, to be filed pursuant to Regulation 14A under the Securities and Exchange Act of 1934, as amended, on or prior to April 30, 2013, or the 2013 Proxy Statement, and is incorporated herein by reference.

ITEM 11. EXECUTIVE COMPENSATION

The information required by Item 11 will be set forth in the 2013 Proxy Statement and is incorporated herein by reference.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The information required by Item 12 will be set forth in the 2013 Proxy Statement and is incorporated herein by reference.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

The information required by Item 13 will be set forth under in the 2013 Proxy Statement and is incorporated herein by reference.

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

The information regarding principal accounting fees and services and the audit committee's pre-approval policies and procedures required by this Item 14 will be set forth in the 2013 Proxy Statement and is incorporated herein by reference.

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PART IV

ITEM 15. EXHIBITS, FINANCIAL STATEMENTS AND SCHEDULES

(a)(1) Consolidated Financial Statements

SL GREEN REALTY CORP.

Report of Independent Registered Public Accounting Firm

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The consolidated financial statements of 1515 Broadway Realty Corp. are being provided to comply with applicable rules and Regulations of the SEC.

Schedules other than those listed are omitted as they are not applicable or the required or equivalent information has been included in the financial statements or notes thereto.

(a)(3) In reviewing the agreements included as exhibits to this Annual Report on Form 10-K, please remember they are included to provide you with information regarding their terms and are not intended to provide any other factual or disclosure information about us or the other parties to the agreements. The agreements contain representations and warranties by each of the parties to the applicable agreement. These representations and warranties have been made solely for the benefit of the other parties to the applicable agreement and:

should not in all instances be treated as categorical statements of fact, but rather as a way of allocating the risk to one of the parties if those statements prove to be inaccurate;

have been qualified by disclosures that were made to the other party in connection with the negotiation of the applicable agreement, which disclosures are not necessarily reflected in the agreement;

may apply standards of materiality in a way that is different from what may be viewed as material to you or other investors; and

were made only as of the date of the applicable agreement or such other date or dates as may be specified in the agreement and are subject to more recent developments.

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Accordingly, these representations and warranties may not describe the actual state of affairs as of the date they were made or at any other time. Additional information about us may be found elsewhere in this Annual Report on Form 10-K and our other public filings, which are available without charge through the SEC's website at <http://www.sec.gov>.

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INDEX TO EXHIBITS

- 3.1 Articles of Amendment and Restatement, incorporated by reference to the Company's Form 8-K, dated May 24, 2007, filed with the SEC on May 30, 2007.
- 3.2 Certificate of Correction to Articles of Amendment and Restatement, incorporated by reference to Amendment No. 1 to the Company's Quarterly Report on Form 10-Q/A for the quarter ended March 31, 2009, filed with the SEC on May 11, 2009.
- 3.3 Second Amended and Restated Bylaws of the Company, incorporated by reference to the Company's Form 8-K, dated December 12, 2007, filed with the SEC on December 14, 2007.
- 3.4 Amendment No. 1 to the Second Amended and Restated Bylaws of the Company, incorporated by reference to the Company's Form 8-K, dated March 13, 2009, filed with the SEC on March 13, 2009.
- 3.5 Amendment No. 2 to the Second Amended and Restated Bylaws of the Company, incorporated by reference to the Company's Form 8-K, dated September 16, 2009, filed with the SEC on September 16, 2009.
- 3.6 Amendment No. 3 to the Second Amended and Restated Bylaws of the Company, incorporated by reference to the Company's Form 8-K, dated December 12, 2012, filed with the SEC on December 17, 2012.
- 3.7 Articles Supplementary Electing that SL Green Realty Corp. be Subject to Maryland General Corporations Law Section 3-804(c), incorporated by reference to the Company's Form 8-K, dated September 16, 2009, filed with the SEC on September 16, 2009.
- 3.8 Articles Supplementary reclassifying and designating an additional 5,400,000 shares of preferred stock as 7.625% Series C Cumulative Redeemable Preferred Stock, liquidation preference \$25.00 per share, par value \$0.01 per share, incorporated by reference to the Company's Form 8-K, dated January 20, 2010, filed with the SEC on January 20, 2010.
- 3.9 Articles Supplementary reclassifying 4,600,000 shares of 8.0% Series A Convertible Cumulative Preferred Stock, 1,300,000 shares of Series B Junior Participating Preferred Stock and 4,000,000 shares of 7.875% Series D Cumulative Redeemable Preferred Stock into authorized preferred stock without further designation, incorporated by reference to the Company's Form 8-K, dated August 7, 2012, filed with the SEC on August 9, 2012.
- 3.10 Articles Supplementary classifying and designating 9,200,000 shares of the Company's 6.50% Series I Cumulative Redeemable Preferred Stock, liquidation preference \$25.00 per share, par value \$0.01 per share, incorporated by reference to the Company's Form 8-K, dated August 7, 2012, filed with the SEC on August 9, 2012.
- 4.1 Specimen Common Stock Certificate, incorporated by reference to the Company's Registration Statement on Form S-11 (No. 333-29329), declared effective by the SEC on August 14, 1997.
- 4.2 Form of stock certificate evidencing the 7.625% Series C Cumulative Redeemable Preferred Stock of the Company, liquidation preference \$25.00 per share, par value \$0.01 per share, incorporated by reference to the Company's Form 8-K, dated December 3, 2003, filed with the SEC on December 10, 2003.
- 4.3 Form of stock certificate evidencing the 6.50% Series I Cumulative Redeemable Preferred Stock of the Company, liquidation preference \$25.00 per share, par value \$0.01 per share, incorporated by reference to the Company's Form 8-K, dated August 7, 2012, filed with the SEC on August 9, 2012.
- 4.4 Indenture, dated as of March 26, 2007, by and among the Company, the Operating Partnership and The Bank of New York, as trustee, incorporated by reference to the Company's Form 8-K, dated March 21, 2007, filed with the SEC on March 27, 2007.

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- 4.5 Indenture, dated as of March 26, 1999, among ROP, as Issuer, Reckson, as Guarantor, and The Bank of New York, as Trustee, incorporated by reference to ROP's Form 8-K, dated March 23, 1999, filed with the SEC on March 26, 1999.
- 4.6 First Supplemental Indenture, dated as of January 25, 2007, by and among ROP, Reckson, The Bank of New York and the Company, incorporated by reference to the Company's Form 8-K, dated January 24, 2007, filed with the SEC on January 30, 2007.
- 4.7 Indenture, dated as of March 16, 2010, among ROP, as Issuer, the Company and the Operating Partnership, as Co-Obligors, and The Bank of New York Mellon, as Trustee, incorporated by reference to the Company's Form 8-K, dated March 16, 2010, filed with the SEC on March 17, 2010.
- 4.8 Form of 7.75% Senior Note due 2020 of ROP, the Company and the Operating Partnership, incorporated by reference to the Company's Form 8-K, dated March 16, 2010, filed with the SEC on March 17, 2010.
- 4.9 Indenture, dated as of October 12, 2010, by and among the Operating Partnership, as Issuer, ROP, as Guarantor, the Company and The Bank of New York Mellon, as Trustee, incorporated by reference to the Company's Form 8-K, dated October 12, 2010, filed with the SEC on October 14, 2010.
- 4.10 Indenture, dated as of August 5, 2011, among the Company, the Operating Partnership and ROP, as Co-Obligors, and The Bank of New York Mellon, as Trustee, incorporated by reference to the Company's Form 8-K, dated August 5, 2011, filed with the SEC on August 5, 2011.
- 4.11 First Supplemental Indenture, dated as of August 5, 2011, among the Company, the Operating Partnership and ROP, as Co-Obligors, and The Bank of New York Mellon, as Trustee, incorporated by reference to the Company's Form 8-K, dated August 5, 2011, filed with the SEC on August 5, 2011.
- 4.12 Form of 5.00% Senior Note due 2018 of the Company, the Operating Partnership and ROP, incorporated by reference to the Company's Form 8-K, dated August 5, 2011, filed with the SEC on August 5, 2011.
- 4.13 Second Supplemental Indenture, dated as of November 15, 2012, among the Company, the Operating Partnership and ROP, as Co-Obligors, and The Bank of New York Mellon, as Trustee, incorporated by reference to the Company's Form 8-K, dated November 9, 2012, filed with the SEC on November 15, 2012.
- 4.14 Form of 4.50% Senior Note due 2018 of the Company, the Operating Partnership and ROP, incorporated by reference to the Company's Form 8-K, dated November 9, 2012, filed with the SEC on November 15, 2012.
- 4.15 Junior Subordinated Indenture, dated as of June 30, 2005, between the Operating Partnership and JPMorgan Chase Bank, National Association, as Trustee, incorporated by reference to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2005, filed with the SEC on August 9, 2005.
- 10.1 Amended and Restated Credit Agreement, dated as of November 16, 2012, by and among the Company, the Operating Partnership and ROP, as Borrowers, each of the Lenders party thereto, Wells Fargo Bank, National Association, as Administrative Agent, with Wells Fargo Securities, LLC, J.P. Morgan Securities LLC and Deutsche Bank Securities Inc., as the Lead Arrangers, Wells Fargo Securities, LLC, J.P. Morgan Securities LLC and Deutsche Bank Securities, Inc., as the Joint Bookrunners, JPMorgan Chase Bank, N.A., as Syndication Agent, and Deutsche Bank Securities Inc., Bank of America, N.A. and Citigroup Global Markets Inc. as the Documentation Agents and the other agents party thereto, incorporated by reference to the Company's Form 8-K, dated November 16, 2012, filed with the SEC on November 21, 2012.
- 10.2 First Amended and Restated Agreement of Limited Partnership of the Operating Partnership, incorporated by reference to the Company's Form 8-K, dated October 23, 2002, filed with the SEC on October 23, 2002.

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- 10.3 First Amendment to the First Amended and Restated Agreement of Limited Partnership of the Operating Partnership, dated May 14, 1998, incorporated by reference to the Company's Form 8-K, dated October 23, 2002, filed with the SEC on October 23, 2002.
- 10.4 Second Amendment to the First Amended and Restated Agreement of Limited Partnership of the Operating Partnership, incorporated by reference to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2002, filed with the SEC on July 31, 2002.
- 10.5 Third Amendment to the First Amended and Restated Agreement of Limited Partnership of the Operating Partnership, dated December 12, 2003, incorporated by reference to the Company's Annual Report on Form 10-K for the year ended December 31, 2003, filed with the SEC on March 15, 2004.
- 10.6 Amended and Restated Fourth Amendment to the First Amended and Restated Agreement of Limited Partnership of the Operating Partnership, dated as of July 15, 2004, incorporated by reference to the Company's Annual Report on Form 10-K for the year ended December 31, 2004, filed with the SEC on March 15, 2005.
- 10.7 Fifth Amendment to the First Amended and Restated Agreement of Limited Partnership of the Operating Partnership, dated as of March 15, 2006, incorporated by reference to the Company's Annual Report on Form 10-K for the year ended December 31, 2005, filed with the SEC on March 16, 2006.
- 10.8 Sixth Amendment to the First Amended and Restated Agreement of Limited Partnership of the Operating Partnership, dated as of June 30, 2006, incorporated by reference to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2006, filed with the SEC on August 10, 2006.
- 10.9 Seventh Amendment to the First Amended and Restated Agreement of Limited Partnership of the Operating Partnership, dated as of January 25, 2007, incorporated by reference to the Company's Form 8-K, dated January 24, 2007, filed with the SEC on January 30, 2007.
- 10.10 Eighth Amendment to the First Amended and Restated Agreement of Limited Partnership of the Operating Partnership, dated as of January 20, 2010, incorporated by reference to the Company's Form 8-K, dated January 20, 2010, filed with the SEC on January 20, 2010.
- 10.11 Ninth Amendment to the First Amended and Restated Agreement of Limited Partnership of the Operating Partnership, dated as of November 30, 2011, incorporated by reference to the Company's Form 8-K, dated December 5, 2011, filed with the SEC on December 5, 2011.
- 10.12 Tenth Amendment to the First Amended and Restated Agreement of Limited Partnership of the Operating Partnership, dated as of January 31, 2012, incorporated by reference to the Company's Form 8-K, dated January 31, 2012, filed with the SEC on February 2, 2012.
- 10.13 Eleventh Amendment to the First Amended and Restated Agreement of Limited Partnership of the Operating Partnership, dated March 6, 2012, incorporated by reference to the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2012, filed with the SEC on May 10, 2012.
- 10.14 Twelfth Amendment to the First Amended and Restated Agreement of Limited Partnership of the Operating Partnership, dated as of August 10, 2012, incorporated by reference to the Company's Form 8-K, dated August 10, 2012, filed with the SEC on August 10, 2012.
- 10.15 Amended and Restated Agreement of Limited Partnership of ROP, incorporated by reference to ROP's Registration Statement on Form S-11, filed with the SEC on February 12, 1996.
- 10.16 Supplement to the Amended and Restated Agreement of Limited Partnership of ROP relating to the succession as a general partner of Wyoming Acquisition GP LLC, incorporated by reference to ROP's Annual Report on Form 10-K for the year ended December 31, 2007, filed with the SEC on March 31, 2008.

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- 10.17 Registration Rights Agreement, dated as of March 26, 2007, by and among the Company, the Operating Partnership and the Initial Purchaser, incorporated by reference to the Company's Form 8-K, dated March 21, 2007, filed with the SEC on March 27, 2007.
- 10.18 Registration Rights Agreement, dated as of October 12, 2010, by and among the Operating Partnership, ROP, the Company and Citigroup Global Markets Inc., incorporated by reference to the Company's Form 8-K, dated October 12, 2010, filed with the SEC on October 14, 2010.
- 10.19 Form of Articles of Incorporation and Bylaws of SL Green Management Corp., incorporated by reference to the Company's Registration Statement on Form S-11 (No. 333-29329), declared effective by the SEC on August 14, 1997.
- 10.20 Form of Registration Rights Agreement between the Company and the persons named therein, incorporated by reference to the Company's Registration Statement on Form S-11 (No. 333-29329), declared effective by the SEC on August 14, 1997.
- 10.21 Amended and Restated Trust Agreement among the Operating Partnership, as depositor, JPMorgan Chase Bank, National Association, as property trustee, Chase Bank USA, National Association, as Delaware trustee, and the administrative trustees named therein, dated June 30, 2005, incorporated by reference to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2005, filed with the SEC on August 9, 2005.
- 10.22 Amended 1997 Stock Option and Incentive Plan, incorporated by reference to the Company's Registration Statement on Form S-8 (No. 333-89964), filed with the SEC on June 6, 2002.*
- 10.23 Amended and Restated 2005 Stock Option and Incentive Plan, incorporated by reference to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2007, filed with the SEC on November 9, 2007.*
- 10.24 First Amendment to the SL Green Realty Corp. Amended and Restated 2005 Stock Option and Incentive Plan, dated as of December 9, 2009, by the Company, incorporated by reference to the Company's Form 8-K, dated December 9, 2009, filed with the SEC on December 15, 2009.*
- 10.25 Second Amended and Restated 2005 Stock Option and Incentive Plan (incorporated by reference to Appendix A to the Proxy Statement), incorporated by reference to the Company's Form 8-K, dated June 15, 2010, filed with the SEC on June 18, 2010.*
- 10.26 Form of Award Agreement for granting awards under the SL Green Realty Corp. 2010 Notional Unit Long-Term Compensation Plan, incorporated by reference to the Company's Form 8-K, dated April 2, 2010, filed with the SEC on April 2, 2010.*
- 10.27 Form of Award Agreement for granting awards under the SL Green Realty Corp. 2011 Long-Term Outperformance Plan Award Agreement, incorporated by reference to the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2012, filed with the SEC on May 10, 2012.*
- 10.28 Non-Employee Directors' Deferral Program, incorporated by reference to the Company's Annual Report on Form 10-K for the year ended December 31, 2011, filed with the SEC on February 28, 2011. *
- 10.29 First Amendment to Non-Employee Directors' Deferral Program, incorporated by reference to the Company's Annual Report on Form 10-K for the year ended December 31, 2011, filed with the SEC on February 28, 2011.*
- 10.30 Amended and Restated Employment and Non-competition Agreement, dated December 24, 2010, between Stephen L. Green and the Company, incorporated by reference to the Company's Form 8-K, dated December 23, 2010, filed with the SEC on December 29, 2010.*
- 10.31 Deferred Compensation Agreement, dated December 18, 2009, between the Company and Stephen L. Green, incorporated by reference to the Company's Form 8-K, dated December 18, 2009, filed with the SEC on December 24, 2009.*

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- 10.32 Deferred Compensation Agreement, dated December 24, 2010, between the Company and Stephen L. Green, incorporated by reference to the Company's Form 8-K, dated December 23, 2010, filed with the SEC on December 29, 2010.*
- 10.33 Amended and Restated Employment Agreement, dated December 18, 2009, between the Company and Marc Holliday, incorporated by reference to the Company's Form 8-K, dated December 18, 2009, filed with the SEC on December 24, 2009.*
- 10.34 Deferred Compensation Agreement, dated December 18, 2009, between the Company and Marc Holliday, incorporated by reference to the Company's Form 8-K, dated December 18, 2009, filed with the SEC on December 24, 2009.*
- 10.35 Amended and Restated Employment and Non-competition Agreement, dated September 3, 2010, between the Company and Andrew Mathias, incorporated by reference to Pre-Effective Amendment No. 2 to the Registration Statement on Form S-4, filed with the SEC on September 14, 2010.*
- 10.36 Employment Agreement, dated as of November 4, 2010, between the Company and James Mead, incorporated by reference to the Company's Form 8-K, dated November 10, 2010, filed with the SEC on November 10, 2010.*
- 10.37 Amended and Restated Employment and Non-competition Agreement, dated December 23, 2010, between the Company and Andrew Levine, incorporated by reference to the Company's Form 8-K, dated December 23, 2010, filed with the SEC on December 29, 2010.*
- 10.38 At-the-Market Equity Offering Sales Agreement, dated July 27, 2011, among the Company, the Operating Partnership and Citigroup Global Markets Inc., incorporated by reference to the Company's Form 8-K, dated July 27, 2011, filed with the SEC on July 27, 2011.
- 10.39 At-the-Market Equity Offering Sales Agreement, dated July 27, 2011, among the Company, the Operating Partnership and J.P. Morgan Securities LLC, incorporated by reference to the Company's Form 8-K, dated July 27, 2011, filed with the SEC on July 27, 2011.
- 12.1 Ratio of Earnings to Combined Fixed Charges and Preferred Stock Dividends, filed herewith.
- 21.1 Subsidiaries of the Company, filed herewith.
- 23.1 Consent of Ernst & Young LLP, filed herewith.
- 24.1 Power of Attorney (included on signature page).
- 31.1 Certification by the Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, filed herewith.
- 31.2 Certification by the Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, filed herewith.
- 32.1 Certification by the Chief Executive Officer pursuant to 18 U.S.C. section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, filed herewith.
- 32.2 Certification by the Chief Financial Officer pursuant to 18 U.S.C. section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, filed herewith.
- 101.1 The following financial statements from the Company's Annual Report on Form 10-K for the year ended December 31, 2012, formatted in XBRL: (i) Consolidated Balance Sheets as of December 31, 2012 and 2011, (ii) Consolidated Statements of Income for the years ended December 31, 2012, 2011 and 2010, (iii) Consolidated Statements of Comprehensive Income for the years ended December 31, 2012, 2011 and 2010, (iv) Consolidated Statement of Equity for the years ended December 31, 2012, 2011 and 2010, (v) Consolidated Statements of Cash Flows for the years ended December 31, 2012, 2011 and 2010, and (vi) Notes to Consolidated Financial Statements, detail tagged, filed herewith.

*

Management contracts and compensatory plans or arrangements to be filed as an exhibit to this Form 10-K pursuant to Item 15(b).

