SL GREEN REALTY CORP
Form 10-Q
May 08, 2009
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended March 31, 2009

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

420 Lexington Avenue, New York, New York 10170

(Address of principal executive offices) (Zip Code)

(212) 594-2700

(Registrant s telephone number, including area code)

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

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

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

Large accelerated filer x	Accelerated filer o	Non-accelerated filer o	Smaller Reporting Company o
	(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 Exchange Act). YES o NO x

The number of shares outstanding of the registrant s common stock, $0.01 par value, was 57,266,834 as of April 30, 2009.

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PART I. FINANCIAL INFORMATION

ITEM 1. Financial Statements

SL Green Realty Corp.

Condensed Consolidated Balance Sheets

(Amounts in thousands, except per share data)

	March 31, 2009 (Unaudited)	December 31, 2008
Assets		
Commercial real estate properties, at cost:		
Land and land interests	**$ 1,385,101**	$ 1,386,090
Building and improvements	**5,547,522**	5,544,019
Building leasehold and improvements	**1,255,573**	1,259,472
Property under capital lease	**12,208**	12,208
	8,200,404	8,201,789
Less: accumulated depreciation	**(586,029)**	(546,545)
	7,614,375	7,655,244
Assets held for sale	**106,543**	184,035
Cash and cash equivalents	**433,654**	726,889
Restricted cash	**97,401**	105,954
Tenant and other receivables, net of allowance of $14,001 and $16,898 in 2009 and 2008, respectively	**33,459**	30,882
Related party receivables	**14,119**	7,676
Deferred rents receivable, net of allowance of $20,172 and $19,648 in 2009 and 2008, respectively	**152,126**	145,561
Structured finance investments, net of discount of $7,870 and $18,764 in 2009 and 2008, respectively	**589,267**	679,814
Investments in unconsolidated joint ventures	**976,572**	975,483
Deferred costs, net	**134,297**	133,052
Other assets	**349,320**	339,763
Total assets	**$ 10,501,133**	$ 10,984,353
Liabilities		
Mortgage notes payable	**$ 2,585,592**	$ 2,591,358
Revolving credit facility	**1,389,067**	1,389,067
Senior unsecured notes	**1,151,556**	1,501,134
Accrued interest payable and other liabilities	**54,478**	70,692
Accounts payable and accrued expenses	**133,937**	133,100
Deferred revenue/gain	**401,848**	427,936
Capitalized lease obligation	**16,747**	16,704
Deferred land leases payable	**17,740**	17,650
Dividend and distributions payable	**26,420**	26,327
Security deposits	**34,865**	34,561
Liabilities related to assets held for sale		106,534
Junior subordinate deferrable interest debentures held by trusts that issued trust preferred securities	**100,000**	100,000
Total liabilities	**5,912,250**	6,415,063
Commitments and Contingencies		
Noncontrolling interest in operating partnership	**89,600**	89,089
Equity		
SL Green stockholders equity:		
Series C preferred stock, $0.01 par value, $25.00 liquidation preference, 6,300 issued and outstanding at March 31, 2009 and December 31, 2008, respectively	**151,981**	151,981
Series D preferred stock, $0.01 par value, $25.00 liquidation preference, 4,000 issued and outstanding at March 31, 2009 and December 31, 2008, respectively	**96,321**	96,321
Common stock, $0.01 par value 160,000 shares authorized and 60,619 and 60,404 issued and outstanding at March 31, 2009 and December 31, 2008, respectively (including 3,360 shares at both March 31, 2009 and December 31, 2008, held in Treasury, respectively)	**606**	604
Additional paid-in-capital	**3,087,123**	3,079,159

Treasury stock at cost		**(302,705)**		(302,705)
Accumulated other comprehensive loss		**(53,089)**		(54,747)
Retained earnings		**989,476**		978,180
Total SL Green stockholders equity		**3,969,713**		3,948,793
Noncontrolling interests in other partnerships		**529,570**		531,408
Total equity		**4,499,283**		4,480,201
Total liabilities and equity	**$**	**10,501,133**	$	10,984,353

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

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SL Green Realty Corp.

Condensed Consolidated Statements of Income

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

	Three Months Ended March 31,	
	2009	**2008**
Revenues		
Rental revenue, net	**$ 196,468**	$ 193,840
Escalation and reimbursement	**33,758**	29,960
Preferred equity and investment income	**16,898**	20,398
Other income	**16,281**	10,504
Total revenues	**263,405**	254,702
Expenses		
Operating expenses (including approximately $3,432 (2009) and $3,571 (2008) paid to affiliates)	**55,481**	53,672
Real estate taxes	**36,949**	32,524
Ground rent	**8,046**	8,249
Interest expense, net of interest income	**60,264**	76,046
Amortization of deferred financing costs	**1,436**	1,632
Depreciation and amortization	**54,798**	53,434
Loan loss reserves	**62,000**	1,250
Loss equity investment in marketable securities	**807**	
Marketing, general and administrative	**17,922**	24,460
Total expenses	**297,703**	251,267
Income (loss) from continuing operations before equity in net income of unconsolidated joint ventures and discontinued operations	**(34,298)**	3,435
Equity in net income from unconsolidated joint ventures	**13,073**	19,425
Income (loss) from continuing operations before gain on sale and discontinued operations	**(21,255)**	22,860
Equity in net gain on sale of interest in unconsolidated joint ventures/ real estate	**9,541**	
Gain on early extinguishment of debt	**47,712**	
Income from continuing operations	**36,028**	22,860
Net income (loss) from discontinued operations	**(66)**	2,760
Gain on sale of discontinued operations	**6,572**	110,232
Net income	**42,534**	135,852
Net income attributable to noncontrolling interests in operating partnership	**(1,320)**	(5,037)
Net income attributable to noncontrolling interests in other partnerships	**(3,477)**	(4,752)
Net income attributable to SL Green	**37,737**	126,063
Preferred stock dividends	**(4,969)**	(4,969)
Net income attributable to SL Green common stockholders	**$ 32,768**	$ 121,094
Basic earnings per share:		
Net income from continuing operations before gain on sale and discontinued operations	**$ 0.30**	$ 0.24
Net income from discontinued operations, net of noncontrolling interest		0.02
Gain on sale of discontinued operations, net of noncontrolling interest	**0.11**	1.81
Gain on sale of unconsolidated joint ventures/ real estate	**0.16**	
Net income attributable to SL Green common stockholders	**$ 0.57**	$ 2.07
Diluted earnings per share:		
Net income from continuing operations before gain on sale and discontinued operations	**$ 0.30**	$ 0.24

Net income from discontinued operations				0.02
Gain on sale of discontinued operations		**0.11**		1.80
Gain on sale of unconsolidated joint ventures/ real estate		**0.16**		
Net income attributable to SL Green common stockholders	**$**	**0.57**	$	2.06
Amounts attributable to SL Green common stockholders:				
Income from continuing operations	**$**	**26,518**	$	13,791
Discontinued operations		**(63)**		1,312
Gain on sale of discontinued operations		**6,313**		105,991
Net income	**$**	**32,768**	$	121,094
Dividends per share	**$**	**0.375**	$	0.7875
Basic weighted average common shares outstanding		**57,178**		58,482
Diluted weighted average common shares and common share equivalents outstanding		**59,555**		61,221

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

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SL Green Realty Corp.

Condensed Consolidated Statement of Equity

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

	SL Green Realty Corp. Stockholders										
	Series C Preferred Stock	Series D Preferred Stock	Common Stock Shares	Common Stock Par Value	Additional Paid-In-Capital	Treasury Stock	Accumulated Other Comprehensive Loss	Retained Earnings	Noncontrolling Interests	Total	Comprehensive Income
Balance at December 31, 2008	**$ 151,981**	**$ 96,321**	**57,044**	**$ 604**	**$ 3,079,159**	**$ (302,705)**	**$ (54,747)**	**$ 978,180**	**$ 531,408**	**$ 4,480,201**	
Net income								37,737	3,477	41,214	**$ 41,214**
Net unrealized loss on derivative instruments							5,951			5,951	5,951
SL Green s share of joint venture net unrealized loss on derivative instruments							(4,501)			(4,501)	(4,501)
Unrealized gain on marketable securities							208			208	208
Preferred dividends								(4,969)		(4,969)	
Redemption of units and DRIP proceeds											
Deferred compensation plan & stock award, net			215	2	371					373	
Amortization of deferred compensation plan					7,593					7,593	
Cash distributions to noncontrolling interests									(5,315)	(5,315)	
Cash distribution declared ($0.375 per common share of which none represented a return of capital for federal income tax purposes)								(21,472)		(21,472)	
Balance at March 31, 2009	**$ 151,981**	**$ 96,321**	**57,259**	**$ 606**	**$ 3,087,123**	**$ (302,705)**	**$ (53,089)**	**$ 989,476**	**$ 529,570**	**$ 4,499,283**	**$ 42,872**

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

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SL Green Realty Corp.

Condensed Consolidated Statements of Cash Flows

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

	Three Months Ended March 31,	
	2009	**2008**
Operating Activities		
Net income	**$ 42,534**	$ 134,457
Adjustment to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	**56,917**	57,494
Gain on sale of discontinued operations	**(6,572)**	(110,232)
Equity in net income from unconsolidated joint ventures	**(13,073)**	(19,425)
Equity in net gain on sale of unconsolidated joint ventures	**(9,541)**	
Distributions of cumulative earnings from unconsolidated joint ventures/ real estate	**9,249**	26,410
Loan loss reserves	**62,000**	
Loss on equity investment in marketable securities	**807**	
Deferred rents receivable	**(7,089)**	(12,955)
Other non-cash adjustments	**(2,586)**	8,867
Changes in operating assets and liabilities:		
Restricted cash operations	**8,016**	5,676
Tenant and other receivables	**320**	3,265
Related party receivables	**(6,443)**	634
Deferred lease costs	**(4,677)**	(6,221)
Other assets	**(23,232)**	(21,604)
Accounts payable, accrued expenses and other liabilities	**(2,183)**	(51,668)
Deferred revenue and land leases payable	**(1,286)**	5,679
Net cash provided by operating activities	**103,161**	20,377
Investing Activities		
Acquisitions of real estate property		(32,351)
Additions to land, buildings and improvements	**(17,570)**	(24,250)
Escrowed cash capital improvements/acquisition deposits	**537**	(44,328)
Investments in unconsolidated joint ventures	**(8,310)**	(11,662)
Distributions in excess of cumulative earnings from unconsolidated joint ventures	**6,482**	12,741
Net proceeds from disposition of real estate/ partial interest in property	**17,154**	152,933
Other investments	**(1,935)**	(14,956)
Structured finance and other investments net of repayments/participations	**406**	3,765
Net cash (used in) provided by investing activities	**(3,236)**	41,892
Financing Activities		
Proceeds from mortgage notes payable	**1,112**	30,061
Repayments of mortgage notes payable	**(6,878)**	(7,113)
Proceeds from revolving credit facility and senior unsecured notes		212,000
Repayments of revolving credit facility and senior unsecured notes	**(353,104)**	(200,000)
Proceeds from stock options exercised		598
Purchases of Treasury Stock		(49,911)
Distributions to noncontrolling interests in other partnerships	**(5,315)**	(6,276)
Contributions from noncontrolling interests in other partnerships		13,259
Distributions to noncontrolling interest in operating partnership	**(876)**	(1,842)
Dividends paid on common and preferred stock	**(26,441)**	(50,990)
Deferred loan costs and capitalized lease obligation	**(1,658)**	(1,226)
Net cash used in financing activities	**(393,160)**	(61,440)
Net (decrease) increase in cash and cash equivalents	**(293,235)**	829

Cash and cash equivalents at beginning of period		**726,889**		45,964
Cash and cash equivalents at end of period	**$**	**433,654**	$	46,793

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

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SL Green Realty Corp.

Notes to Condensed Consolidated Financial Statements

(Unaudited)

March 31, 2009

1. Organization and Basis of Presentation

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

Substantially all of our assets are held by, and our operations are conducted through, the operating partnership. The Company is the sole managing general partner of the operating partnership. As of March 31, 2009, noncontrolling investors held, in the aggregate, a 3.9% limited partnership interest in the operating partnership.

On January 25, 2007, we completed the acquisition, or the Reckson Merger, of all of the outstanding shares of common stock of Reckson Associates Realty Corp., or Reckson, pursuant to the terms of the Agreement and Plan of Merger, dated as of August 3, 2006, as amended, the Merger Agreement, among SL Green, Wyoming Acquisition Corp., or Wyoming, Wyoming Acquisition GP LLC, Wyoming Acquisition Partnership LP, Reckson and Reckson Operating Partnership, L.P., or ROP. We paid approximately $6.0 billion, inclusive of transaction costs, for Reckson. ROP is a subsidiary of our operating partnership.

On January 25, 2007, we completed the sale, or Asset Sale, of certain assets of ROP to an asset purchasing venture led by certain of Reckson s former executive management, or the Buyer, for a total consideration of approximately $2.0 billion.

As of March 31, 2009, we owned the following interests in commercial office properties in the New York Metro area, primarily in midtown Manhattan, a borough of New York City, or Manhattan. Our investments in the New York Metro area also include investments in Brooklyn, Queens, Long Island, Westchester County, Connecticut and New Jersey, which are collectively known as the Suburban assets:

Location	Ownership	Number of Properties	Square Feet	Weighted Average Occupancy (1)
Manhattan	Consolidated properties	21	13,782,200	97.2%
	Unconsolidated properties	8	9,429,000	94.7%
Suburban	Consolidated properties	26	4,008,000	87.8%
	Unconsolidated properties	6	2,941,700	94.1%
		61	30,160,900	94.8%

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

We also own investments in eight retail properties encompassing approximately 400,212 square feet, three development properties encompassing approximately 399,800 square feet and two land interests. In addition, we manage three office properties owned by third parties

and affiliated companies encompassing approximately 1.0 million rentable square feet.

As of March 31, 2009, we also owned approximately 12.48% of the outstanding common stock of Gramercy Capital Corp. (NYSE: GKK), or Gramercy, as well as all the units of the Class B limited partner interest in Gramercy s operating partnership, which were subsequently transferred to Gramercy on April 24, 2009. See Note 6.

Partnership Agreement

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

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SL Green Realty Corp.

Notes to Condensed Consolidated Financial Statements

(Unaudited)

March 31, 2009

Basis of Quarterly Presentation

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and notes required by accounting principles generally accepted in the United States for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for fair presentation have been included. The 2009 operating results for the period presented are not necessarily indicative of the results that may be expected for the year ending December 31, 2009. These financial statements should be read in conjunction with the financial statements and accompanying notes included in our annual report on Form 10-K and Form 10-K/A No. 1 for the year ended December 31, 2008.

The balance sheet at December 31, 2008 has been derived from the audited financial statements at that date but does not include all the information and footnotes required by accounting principles generally accepted in the United States for complete financial statements.

2. Significant Accounting Policies

Principles of Consolidation

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

Effective January 1, 2009, we adopted SFAS 160, or SFAS No. 160, Non-controlling Interests in Consolidated Financial Statements an amendment of ARB No. 51, which defines a non-controlling interest in a consolidated subsidiary as the portion of the equity (net assets) in a subsidiary not attributable, directly or indirectly, to a parent and requires non-controlling interests to be presented as a separate component of equity in the consolidated balance sheet subject to the provisions of EITF Topic D-98, or EITF D-98, Classification and Measurement of Redeemable Securities. SFAS No. 160 also modifies the presentation of net income by requiring earnings and other comprehensive income to be attributed to controlling and non-controlling interests. Below are the steps we have taken as a result of the implementation of this standard:

- We have reclassified the non-controlling interests of other consolidated partnerships from the mezzanine section of our balance sheets to equity. This reclassification totaled approximately $529.6 million and $531.4 million as of March 31, 2009 and December 31, 2008, respectively.

- Non-controlling interests of our operating partnership will continue to be classified in the mezzanine section of the balance sheet as these redeemable OP Units do not meet the requirements for equity classification under EITF D-98. The redemption feature requires the delivery of cash or shares of stock. See Note 13.

- Net income attributable to non-controlling interests of our operating partnership and of other consolidated partnerships is no longer included in the determination of net income. We reclassified prior year amounts to reflect this requirement. The adoption of this standard has no effect on our earnings per share.

- We adjust the non-controlling interests of our operating partnership each period so that the carrying value equals the greater of its carrying value based on the accumulation of historical cost or its redemption value as prescribed by EITF D-98. Net income is allocated to the non-controlling partners of our operating partnership based on their weighted average ownership percentage during the period.

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SL Green Realty Corp.

Notes to Condensed Consolidated Financial Statements

(Unaudited)

March 31, 2009

Investment in Commercial Real Estate Properties

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

In accordance with SFAS No. 141, Business Combinations, we allocate the purchase price of real estate to land and building and, if determined to be material, intangibles, such as the value of above-, below- and at-market leases and origination costs associated with the in-place leases. We depreciate the amount allocated to building and other intangible assets over their estimated useful lives, which generally range from three to 40 years 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 range from one to 14 years. The value associated with in-place leases are amortized over the expected term of the associated lease and its estimated term, which 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.

As a result of our evaluations, under SFAS No. 141, of acquisitions made, we recognized an increase of approximately $5.4 million and $5.7 million in rental revenue for the three months ended March 31, 2009 and 2008, respectively, for the amortization of aggregate below-market rents 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 of approximately $1.8 million and $1.7 million for the three months ended March 31, 2009 and 2008, respectively.

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SL Green Realty Corp.

Notes to Condensed Consolidated Financial Statements

(Unaudited)

March 31, 2009

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

	March 31, 2009	December 31, 2008
Identified intangible assets (included in other assets):		
Gross amount	**$ 236,594**	$ 236,594
Accumulated amortization	**(71,173)**	(60,074)
Net	**$ 165,421**	$ 176,520
Identified intangible liabilities (included in deferred revenue):		
Gross amount	**$ 480,770**	$ 480,770
Accumulated amortization	**(118,108)**	(101,585)
Net	**$ 362,662**	$ 379,185

Reserve for Possible Credit Losses

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

Where impairment is indicated, a valuation allowance is measured based upon the excess of the recorded investment amount over the net fair value of the collateral, as reduced by selling costs. Any deficiency between the carrying amount of an asset and the net sales price of repossessed collateral is charged to expense. We recorded approximately none and $1.3 million in loan loss reserves during the three months ended March 31, 2009 and 2008, respectively.

Structured finance investments held for sale are carried at the lower of cost or fair market value using available market information obtained through consultation with dealers or other originators of such investments as well as discounted cash flow models based on Level 3 data pursuant to SFAS No. 157. During the three months ended March 31, 2009, we redesignated loans with a gross carrying value of $95.5 million from structured finance investments to assets held for sale. We recorded a mark-to-market adjustment of approximately $62.0 million against our held for sale investments during the three months ended March 31, 2009.

Income Taxes

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

Pursuant to amendments to the Code that became effective January 1, 2001, we have elected, and may in the future, elect to treat certain of our existing or newly created corporate subsidiaries as taxable REIT subsidiaries, or a TRS. In general, a TRS of ours may perform non-customary services for our tenants, hold assets that we cannot hold directly and generally may engage in any real estate or non-real estate related business. Our TRSs generate income, resulting in Federal income tax liability for these entities. Our TRSs recorded approximately $2.5 million and $1.2 million in Federal, state and local tax expense during the three months ended March 2009 and 2008, respectively, of which $0.5 million and $0.4 million, respectively, had been paid.

Stock-Based Employee Compensation Plans

We have a stock-based employee compensation plan, described more fully in Note 13. We account for this plan under SFAS No. 123-R Shared Based Payment, revised, or SFAS No. 123-R. We adopted SFAS No. 123, Accounting from Stock-Based Compensation on January 1, 2003.

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

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

The fair value of each stock option granted is estimated on the date of grant using the Black-Scholes option pricing model with the following weighted average assumptions for grants during the three months ended March 31, 2009 and 2008.

	2009	2008
Dividend yield	**5.79%**	3.37%
Expected life of option	**5 years**	5 years
Risk-free interest rate	**1.55%**	4.04%
Expected stock price volatility	**55.07%**	22.31%

Earnings Per Share

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

Use of Estimates

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

Concentrations of Credit Risk

Financial instruments that potentially subject us to concentrations of credit risk consist primarily of cash investments, structured finance investments and accounts receivable. We place our cash investments in excess of insured amounts with high quality financial institutions. The collateral securing our structured finance investments is primarily located in the New York Metro area. (See Note 5). We perform ongoing credit evaluations of our tenants and require certain tenants to provide security deposits or letters of credit. Though these security deposits and letters of credit are insufficient to meet the total value of a tenant s lease obligation, they are a measure of good faith and a source of funds to offset the economic costs associated with lost rent and the costs associated with re-tenanting the space. Although the properties in our real estate portfolio are primarily located in Manhattan, we also have properties located in Brooklyn, Queens, Long Island, Westchester County, Connecticut and New Jersey. The tenants located in our buildings operate in various industries. Other than one tenant who accounts for approximately 9.6% of our annualized rent, no other tenant in our portfolio accounts for more than 5.8% of our annualized rent, including our share of joint venture annualized rent, at March 31, 2009. Approximately 7%, 6%, 6%, 7% and 6% of our annualized rent, including our share of joint venture annualized rent, was attributable to 1221 Avenue of the Americas, 1515 Broadway, 420 Lexington Avenue, 1185 Avenue of the Americas and One Madison Avenue, respectively, for the quarter ended March 31, 2009. One borrower accounted for more than 10.0% of the revenue earned on structured finance investments during the three months ended March 31, 2009.

Reclassification

Certain prior year balances have been reclassified to conform with the current year presentation primarily in order to comply with SFAS No. 144 for discontinued operations presentation and the adoption of FSP 14-1 (see below).

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New Accounting Pronouncements

In December 2007, the FASB issued SFAS No. 141(R), Business Combinations. This statement changes the accounting for acquisitions specifically eliminating the step acquisition model, changing the recognition of contingent consideration from being recognized when it is probable to being recognized at the time of acquisition, disallowing the capitalization of transaction costs and delays when restructurings related to acquisitions can be recognized. The standard is effective for fiscal years beginning after December 15, 2008 and will only impact the accounting for acquisitions we make after our adoption of this standard. The adoption of this standard on January 1, 2009 did not have any impact on our historical financial statements.

In May 2008, the FASB issued FASB Staff Position, or FSP, No. APB 14-1, or FSP 14-1, Accounting for Convertible Debt Instruments that may be Settled in Cash upon Conversion. FSP 14-1 requires the issuer of certain convertible debt instruments that may be settled in cash (or other assets) on conversion to separately account for the liability (debt) and equity (conversion option) components of the instrument in a manner that reflects the issuer s nonconvertible debt borrowing rate. FSP 14-1 will significantly affect the accounting for instruments commonly referred to as Instruments B and C in EITF No. 90-19, Convertible Bonds with Issuer Option to Settle for Cash upon Conversion, which is nullified by FSP 14-1, and any other convertible debt instruments that require or permit settlement in any combination of cash and shares at the issuer s option, such as those sometimes referred to as Instrument X. The resulting debt discount will be amortized over the period during which the debt is expected to be outstanding (i.e., through the first optional redemption dates) as additional non-cash interest expense. This amount (before netting) will increase in subsequent reporting periods through the first optional redemption dates as the debt accretes to its par value over the same period. FSP 14-1 is effective for fiscal years beginning after December 15, 2008, and interim periods within those fiscal years. Early adoption was not permitted. Upon adoption, FSP 14-1 required companies to retrospectively apply the requirements of the pronouncement to all periods presented. Adoption of FSP 14-1 had the following impact on our financial statements:

	December 31, 2008 As Reported	December 31, 2008 As Restated
Senior unsecured notes	$ 1,535,948	$ 1,501,134
Total liabilities	6,449,875	6,415,063
Additional paid-in-capital	2,999,456	3,079,159
Retained earnings	1,023,071	978,180

	March 31, 2008 As Reported	March 31, 2008 As Restated
Interest expense	$ 78,518	$ 83,316
Net income attributable to SL Green common stockholders	125,891	121,094
Net income per share attributable to common stockholders - basic	$ 2.15	$ 2.07

Net income per share attributable to common stockholders - diluted	$ 2.14	$ 2.06

EITF 03-6-1, Determining Whether Instruments Granted in Share-Based Payment Transactions Are Participating Securities, addresses whether instruments granted in share-based payment transactions are participating securities prior to vesting and, therefore, need to be included in the earnings allocation in computing earnings per share, or EPS, under the two-class method described in paragraphs 60 and 61 of SFAS No. 128, Earnings per Share . We adopted EITF 03-6-1 on January 1, 2009 and it did not have a material effect on our financial statements.

In April 2009, the FASB issued SFAS No. 107-1 and APB 28-1, Interim Disclosures about Fair Value of Financial Instruments. SFAS No. 107-1 amends SFAS No. 107, Disclosures about Fair Value of Financial Instruments to require disclosure about fair value of financial instruments in interim financial statements. SFAS No. 107-1 and APB 28-1 are effective for interim and annual periods ending after June 15, 2009 with early adoption permitted for periods ending after March 15, 2009. We will include the disclosures required under this standard beginning in our June 30, 2009 Condensed Consolidated Financial Statements.

In April 2009, the FASB released FSP SFAS No. 157- 4, Determining Fair Value When the Volume and Level of Activity for the Asset or Liability has Significantly Decreased and Identifying Transactions that are Not Orderly , or FSP SFAS No. 157-4. FSP SFAS No. 157-4 was issued contemporaneously with FSP SFAS No. 115-2 and SFAS No. 124-2, Recognition and Presentation of Other-Than-Temporary Impairments , or FSP SFAS 115-2 and FSP SFAS No. 107-1 and APB 28-1.

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FSP SFAS No. 157-4 amends FASB Statement No. 157, Fair Value Measurements , or SFAS No. 157, to provide additional guidance on estimating fair value when the volume and level of transaction activity for an asset or liability have significantly decreased in relation to normal market activity for the asset or liability. The FSP also provides additional guidance on circumstances that may indicate that a transaction is not orderly.

FSP SFAS No. 157-4 also require additional disclosures about fair value measurements in annual and interim reporting periods. FSP SFAS No. 157-4 is effective for interim and annual reporting periods ending after 15 June 2009. We will apply the provisions of FSP SFAS No. 157-4 beginning in our June 30, 2009 Condensed Consolidated Financial Statements. We do not believe that adoption of the FSP will have a material impact on our financial statements.

In March 2008, the FASB issued SFAS No. 161, or SFAS No. 161, Disclosures about Derivative Instruments and Hedging Activities, an amendment of FASB Statement No. 133. SFAS No. 161 requires entities to provide greater transparency about (a) how and why and entity uses derivative instruments, (b) how derivative instruments and related hedged items are accounted for under SFAS No. 133 and its related interpretations, and (c) how derivative instruments and related hedged items affect an entity s financial position, results of operations, and cash flows. SFAS No. 161 is effective on January 1, 2009. The adoption of SFAS No. 161 did not have a material impact on our consolidated financial statements.

3. Property Acquisitions

We did not acquire any real estate during the three months ended March 31, 2009.

4. Property Dispositions and Assets Held for Sale

In January 2009, we, along with our joint venture partner, Gramercy, sold 100% of our interests in 55 Corporate Drive, NJ for $230.0 million. The property is approximately 670,000 square feet. We recognized a gain of approximately $6.6 million in connection with the sale of our 50% interest in the joint venture.

At March 31, 2009, discontinued operations included the results of operations of real estate assets sold prior to that date. This included 440 Ninth Avenue, which was sold in January 2008, 100/120 White Plains Road and 1372 Broadway, which were sold in October 2008, 55 Corporate Drive, NJ which was sold in January 2009, and the membership interests in GKK Manager LLC which were sold in April 2009 (See Note 6).

The following table summarizes income from discontinued operations and the related realized gain on sale of discontinued operations for the three months ended March 31, 2009 and 2008 (in thousands).

	Three Months Ended March 31,	
	2009	**2008**
Revenues		
Rental revenue	**$ 584**	$ 8,351
Escalation and reimbursement revenues	**(7)**	916
Other income	**4,886**	8,424
Total revenues	**5,463**	17,691
Operating expense	**24**	1,925
Real estate taxes		1,460
Interest	**329**	5,524
Marketing, general and administrative	**5,176**	4,008
Depreciation and amortization		2,014
Total expenses	**5,529**	14,931
Income (loss) from discontinued operations	**(66)**	2,760
Gain on sale of discontinued operations	**6,572**	110,232
Income from discontinued operations	**$ 6,506**	$ 112,992

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5. Structured Finance Investments

During the three months ended March 31, 2009 and 2008, our structured finance and preferred equity investments (net of discounts) increased approximately $7.1 million and $4.8 million, respectively, due to originations and accretion of discount. There were approximately $63.6 million and $33.5 million in repayment, participations, sales and loan loss reserves recorded during those periods, respectively, which offset the increases in structured finance investments.

As of March 31, 2009 and December 31, 2008, we held the following structured finance investments, excluding preferred equity investments, with an aggregate weighted average current yield of approximately 9.4% (in thousands):

Loan Type	Gross Investment	Senior Financing	2009 Principal Outstanding	2008 Principal Outstanding	Initial Maturity Date
Other Loan (1)	$ 3,500	$ 15,000	**$ 3,500**	$ 3,500	September 2021
Mezzanine Loan (1) (2)	85,000	210,572	**96,510**	95,626	December 2020
Mezzanine Loan (1)	60,000	235,000	**58,393**	58,349	February 2016
Mezzanine Loan (1)	25,000	200,000	**25,000**	25,000	May 2016
Mezzanine Loan (1)	35,000	165,000	**38,616**	38,332	October 2016
Mezzanine Loan (1) (3) (9) (10) (11)	75,000	4,229,461	**70,092**	70,092	December 2016
Other Loan (1) (5) (9) (11)	5,000		**5,350**	5,350	May 2011
Whole Loan (2) (3)	9,815		**9,526**	10,126	February 2010
Mezzanine Loan (1) (2) (4) (9) (11)	25,000	315,293	**27,742**	27,742	November 2009
Mezzanine Loan (1)	16,000	90,000	**15,676**	15,670	August 2017
Mezzanine Loan (3)	41,398	221,549	**40,481**	40,171	August 2009
Other Loan (1)	1,000		**1,000**	1,000	January 2010
Other Loan	500		**500**	500	December 2009
Junior Participation (1) (6) (9) (11)	14,189		**9,938**	9,938	April 2008
Mezzanine Loan (1) (12)	67,000	1,139,000	**77,939**	75,856	March 2017
Mezzanine Loan (3) (9) (10)	23,145	365,000	**25,446**	24,961	July 2009
Mezzanine Loan (3) (9) (10)	44,733	930,678	**47,219**	46,372	August 2009
Mezzanine Loan (3) (9) (10) (11)	22,644	7,099,849	**23,511**	23,847	June 2009
Junior Participation (1) (9)	11,000	53,000	**11,000**	11,000	November 2009
Junior Participation (7) (9)	12,000	61,250	**10,875**	10,875	June 2010
Junior Participation (9)	9,948	48,198	**5,866**	5,866	December 2010
Junior Participation (8)	50,000	2,227,136	**48,175**	48,709	April 2010
Mezzanine Loan (3)	90,000	325,000	**93,485**	92,325	July 2010
Whole Loan (1) (3)	9,375		**9,283**	9,324	February 2015
Loan loss reserve (9)			**(134,666)**	(74,666)	
	$ 736,247	$ 17,930,986	**$ 620,457**	$ 675,865	

(1) This is a fixed rate loan.
(2) The difference between the pay and accrual rates is included as an addition to the principal balance outstanding.
(3) Gramercy holds a pari passu interest in this asset.
(4) This loan has been in default since December 2007. We are pursuing our remedies and expect to recover the full value of our investment.

(5) The original loan which was scheduled to mature in February 2010 was replaced with two loans which mature in May 2011. The total principal balance remained unchanged. Approximately $10.4 million was redeemed in October 2008.
(6) This loan is in default. We have begun foreclosure proceedings. Our partner holds a $12.2 million pari-pasu interest in this loan.
(7) This loan was extended for two years to June 2010.
(8) Gramercy is the borrower under this loan. This loan consists of mortgage and mezzanine financing.
(9) This represents specifically allocated loan loss reserves. Our reserves reflect management s judgment of the probability and severity of losses. We cannot be certain that our judgment will prove to be correct and that reserves will be adequate over time to protect against potential future losses.
(10) This investment was classified as held for sale at March 31, 2009.
(11) This loan is on non-accrual status.
(12) Interest is added to the principal balance for this accrual only loan.

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Preferred Equity Investments

As of March 31, 2009 and December 31, 2008, we held the following preferred equity investments, with an aggregate weighted average current yield of approximately 2.9% (in thousands):

Type	Gross Investment	Senior Financing	2009 Amount Outstanding	2008 Amount Outstanding	Initial Mandatory Redemption
Preferred equity (1) (3)	$ 15,000	$ 2,350,000	**$ 15,000**	$ 15,000	February 2015
Preferred equity (1) (2) (3) (4)	51,000	212,782	**51,000**	51,000	February 2014
Preferred equity (3) (4)	34,120	88,000	**31,178**	30,268	March 2010
Loan loss reserve (3)			**(26,250)**	(24,250)	
	$ 100,120	$ 2,650,782	**$ 70,928**	$ 72,018	

(1) This is a fixed rate investment.
(2) Gramercy holds a mezzanine loan on the underlying asset. This investment was classified as held for sale at March 31, 2009.
(3) This represents specifically allocated loan loss reserves. Our reserves reflect management s judgment of the probability and severity of losses. We cannot be certain that our judgment will prove to be correct and that reserves will be adequate over time to protect against potential future losses.
(4) The junior preferred equity portion of the investment is on non-accrual status.

The following table is a rollforward of our total loan loss reserves at March 31, 2009 and December 31, 2008 (in thousands):

	2009	2008
Balance at beginning of year	$ 98,916	$
Expensed	62,000	101,166
Charge-offs		(2,250)
Balance at end of period	$ 160,916	$ 98,916

At March 31, 2009 and December 31, 2008, all structured finance investments, other than as noted above, were performing in accordance with the terms of the loan agreements.

6. Investment in Unconsolidated Joint Ventures

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

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

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The table below provides general information on each joint venture as of March 31, 2009 (in thousands):

Property	Partner	Ownership Interest	Economic Interest	Square Feet	Acquired	Acquisition Price (1)
1221 Avenue of the Americas (2)	RGII	45.00%	45.00%	2,550	12/03	$ 1,000,000
1515 Broadway (3)	SITQ	55.00%	68.45%	1,750	05/02	$ 483,500
100 Park Avenue	Prudential	49.90%	49.90%	834	02/00	$ 95,800
379 West Broadway	Sutton	45.00%	45.00%	62	12/05	$ 19,750
Mack-Green joint venture (4)	Mack-Cali	48.00%	48.00%	900	05/06	$ 127,500
21 West 34th Street (5)	Sutton	50.00%	50.00%	30	07/05	$ 22,400
800 Third Avenue (6)	Private Investors	42.95%	42.95%	526	12/06	$ 285,000
521 Fifth Avenue	CIF	50.10%	50.10%	460	12/06	$ 240,000
One Court Square	JP Morgan	30.00%	30.00%	1,402	01/07	$ 533,500
1604-1610 Broadway (7)	Onyx/Sutton	45.00%	63.00%	30	11/05	$ 4,400
1745 Broadway (8)	Witkoff/SITQ	32.26%	32.26%	674	04/07	$ 520,000
1 and 2 Jericho Plaza	Onyx/Credit Suisse	20.26%	20.26%	640	04/07	$ 210,000
2 Herald Square (9)	Gramercy	55.00%	55.00%	354	04/07	$ 225,000
885 Third Avenue (10)	Gramercy	55.00%	55.00%	607	07/07	$ 317,000
16 Court Street	CIF	35.00%	35.00%	318	07/07	$ 107,500
The Meadows	Onyx	25.00%	25.00%	582	09/07	$ 111,500
388 and 390 Greenwich Street (11)	SITQ	50.60%	50.60%	2,600	12/07	$ 1,575,000
27-29 West 34th Street (12)	Sutton	50.00%	50.00%	41	01/06	$ 30,000
1551-1555 Broadway (13)	Sutton	10.00%	10.00%	26	07/05	$ 80,100
717 Fifth Avenue (14)	Sutton/Nakash	32.75%	32.75%	120	09/06	$ 251,900

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

(2) We acquired our interest from The McGraw-Hill Companies, or MHC. MHC is a tenant at the property and accounted for approximately 14.8% of the property s annualized rent at March 31, 2009. We do not manage this joint venture.

(3) Under a tax protection agreement established to protect the limited partners of the partnership that transferred 1515 Broadway to the joint venture, the joint venture has agreed not to adversely affect the limited partners tax positions before December 2011. One tenant, whose leases primarily end between 2009 and 2015, represents approximately 79.2% of this joint venture s annualized rent at March 31, 2009.

(4) We wrote off the net book value of this investment of approximately $2.1 million in December 2008. See Note 19.

(5) Effective November 2006, we deconsolidated this investment. As a result of the recapitalization of the property, we were no longer the primary beneficiary under FIN 46(R). Both partners had the same amount of equity at risk and neither partner controlled the joint venture.

(6) We invested approximately $109.5 million in this asset through the origination of a loan secured by up to 47% of the interests in the property s ownership, with an option to convert the loan to an equity interest. Certain existing members had

the right to re-acquire approximately 4% of the property s equity. These interests were re-acquired in December 2008 and reduced our interest to 42.95%

(7) Effective April 2007, we deconsolidated this investment. As a result of the recapitalization of the property, we were no longer the primary beneficiary under FIN 46(R). Both partners had the same amount of equity at risk and neither partner controlled the joint venture.

(8) We have the ability to syndicate our interest down to 14.79%.

(9) We, along with Gramercy, together as tenants-in-common, acquired a fee interest in 2 Herald Square. The fee interest is subject to a long-term operating lease.

(10) We, along with Gramercy, together as tenants-in-common, acquired a fee and leasehold interest in 885 Third Avenue. The fee and leasehold interests are subject to a long-term operating lease.

(11) The property is subject to a 13-year triple-net lease arrangement with a single tenant.

(12) Effective May 2008, we deconsolidated this investment. As a result of the recapitalization of the property, we were no longer the primary beneficiary under FIN 46(R). Both partners had the same amount of equity at risk and neither partner controlled the joint venture.

(13) Effective August 2008, we deconsolidated this investment. As a result of the sale of 80% of our interest, we were no longer the primary beneficiary under FIN 46(R).

(14) Effective September 2008, we deconsolidated this investment. As a result of the recapitalization of the property, the joint venture was no longer a VIE under FIN 46(R).

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We finance our joint ventures with non-recourse debt. The first mortgage notes payable collateralized by the respective joint venture properties and assignment of leases at March 31, 2009 and December 31, 2008, respectively, are as follows (in thousands):

Property	Maturity date	Interest rate (1)	2009	2008
1221 Avenue of the Americas (2)	12/2010	2.85%	**$ 170,000**	$ 170,000
1515 Broadway (3)	11/2009	1.35%	**$ 625,000**	$ 625,000
100 Park Avenue	11/2015	6.52%	**$ 175,000**	$ 175,000
379 West Broadway	01/2010	2.11%	**$ 20,991**	$ 20,991
Mack-Green joint venture (4)	08/2014	3.81%	**$ 102,159**	$ 102,195
21 West 34th Street	12/2016	5.75%	**$ 100,000**	$ 100,000
800 Third Avenue	07/2017	6.00%	**$ 20,910**	$ 20,910
521 Fifth Avenue	04/2011	1.57%	**$ 140,000**	$ 140,000
One Court Square	06/2015	4.91%	**$ 315,000**	$ 315,000
2 Herald Square	04/2017	5.36%	**$ 191,250**	$ 191,250
1604-1610 Broadway	03/2012	5.66%	**$ 27,000**	$ 27,000
1745 Broadway	01/2017	5.68%	**$ 340,000**	$ 340,000
1 and 2 Jericho Plaza	05/2017	5.65%	**$ 163,750**	$ 163,750
885 Third Avenue	07/2017	6.26%	**$ 267,650**	$ 267,650
The Meadows	09/2012	1.81%	**$ 84,527**	$ 84,527
388 and 390 Greenwich Street (5)	12/2017	5.14%	**$ 1,138,379**	$ 1,138,379
16 Court Street	10/2010	2.13%	**$ 84,112**	$ 83,658
27-29 West 34th Street (6)	05/2011	2.55%	**$ 40,348**	$ 38,596
1551-1555 Broadway (7)	10/2009	2.49%	**$ 114,320**	$ 106,222
717 Fifth Avenue (8)	09/2011	5.25%	**$ 245,000**	$ 245,000

(1) Interest rate represents the effective all-in weighted average interest rate for the quarter ended March 31, 2009.
(2) This loan has an interest rate based on the 30-day LIBOR plus 75 basis points. $65.0 million of this loan has been hedged through December 2010. The hedge fixed the LIBOR rate at 4.8%.
(3) The interest only loan carries an interest rate of 90 basis points over the 30-day LIBOR. The mortgage is subject to a one-year as-of-right renewal option. The joint venture extended this loan for another year.
(4) Comprised of $91.1 million variable rate debt that matures in May 2009 and $11.1 million fixed rate debt that matures in August 2014. Gramercy provided the variable rate debt. See Note 19.
(5) Comprised of a $576.0 million mortgage and a $562.4 million mezzanine loan, both of which are fixed rate loans, except for $16.0 million of the mortgage which is floating. Up to $200.0 million of the mezzanine loan, secured indirectly by these properties, is recourse to us.
(6) This construction loan facility has a committed amount of $55.0 million.
(7) This construction loan has a committed amount of $138.6 million.

(8) This loan has a committed amount of $285.0 million.

We act as the operating partner and day-to-day manager for all our joint ventures, except for 1221 Avenue of the Americas, Mack-Green, 800 Third Avenue, 1 and 2 Jericho Plaza 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 $9.8 million and $4.7 million from these services for the three months ended March 31, 2009, and 2008, respectively. In addition, we have the ability to earn incentive fees based on the ultimate financial performance of certain of the joint venture properties.

Gramercy Capital Corp.

In April 2004, we formed Gramercy. Gramercy is an integrated commercial real estate specialty finance and property investment company. Gramercy s commercial real estate finance business, which operates under the name Gramercy Finance, focuses on the direct origination and acquisition of whole loans, subordinate interests in whole loans, mezzanine loans, preferred equity, commercial mortgage backed securities and other real estate related securities. Gramercy s property investment business, which operates under the name Gramercy Realty, focuses on the acquisition and management of commercial properties net leased primarily to financial institutions and affiliated users throughout the United States. Gramercy qualified as a REIT for federal income tax purposes and expects to qualify for its current fiscal year. During the term of the origination agreement between Gramercy and us, which was terminated as of April 24, 2009 in connection with Gramercy s internalization of GKK Manager LLC, or the Manager, which we refer to as the GKK Internalization, we had the right to purchase up to 25% of the shares in any future offering of Gramercy s common stock in order to maintain our percentage ownership interest in Gramercy. At March 31, 2009, we held 6,219,370 shares, or approximately 12.48% of Gramercy s common stock. Our total investment had a net book value of zero at March 31, 2009. The market value of our

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common stock investment in Gramercy was approximately $6.0 million at March 31, 2009. Gramercy is a variable interest entity, but we are not the primary beneficiary. Due to the significant influence we had over Gramercy as of March 31, 2009, we accounted for our investment under the equity method of accounting.

In connection with Gramercy s initial public offering, the Manager, which at the time was an affiliate of ours, entered into a management agreement with Gramercy, which provided for an initial term through December 2007, with automatic one-year extension options and certain termination rights. In April 2006, we and Gramercy entered into an amended and restated management agreement, and Gramercy s board of directors approved, among other things, an extension of the management agreement through December 2009. The management agreement was further amended in September 2007 and amended and restated in October 2008 and was subsequently terminated on April 24, 2009 in connection with the GKK Internalization. Prior to the GKK Internalization, Gramercy paid the Manager an annual management fee equal to 1.75% (1.50% effective October 1, 2008) of their gross stockholders equity (as defined in the management agreement), inclusive of trust preferred securities issued by Gramercy or its affiliates. In addition, Gramercy also paid the Manager a collateral management fee (as defined in the management agreement). In connection with any and all collateralized debt obligations, or CDOs, except for the 2005 CDO, or other securitization vehicles formed, owned or controlled, directly or indirectly, by Gramercy, which provided for a collateral manager to be retained, the Manager with respect to such CDOs and other securitization vehicles, received management, service and similar fees equal to (i) 0.25% per annum of the principal amount outstanding of bonds issued by a managed transitional CDO that are owned by third-party investors unaffiliated with Gramercy or the Manager, which CDO is structured to own loans secured by transitional properties, (ii) 0.15% per annum of the book value of the principal amount outstanding of bonds issued by a managed non-transitional CDO that are owned by third-party investors unaffiliated with Gramercy or the Manager, which CDO is structured to own loans secured by non-transitional properties, (iii) 0.10% per annum of the principal amount outstanding of bonds issued by a static CDO that are owned by third party investors unaffiliated with Gramercy or the Manager, which CDO is structured to own non-investment grade bonds, and (iv) 0.05% per annum of the principal amount outstanding of bonds issued by a static CDO that are owned by third-party investors unaffiliated with Gramercy or the Manager, which CDO is structured to own investment grade bonds. For the purposes of the management agreement, a managed transitional CDO meant a CDO that is actively managed, has a reinvestment period and is structured to own debt collateral secured primarily by non-stabilized real estate assets that are expected to experience substantial net operating income growth, and a managed non-transitional CDO meant a CDO that is actively managed, has a reinvestment period and is structured to own debt collateral secured primarily by stabilized real estate assets that are not expected to experience substantial net operating income growth. Both managed transitional and managed non-transitional CDOs may at any given time during the reinvestment period of the respective vehicles invest in and own non-debt collateral (in limited quantity) as defined by the respective indentures. In connection with the closing of Gramercy s first CDO in July 2005, Gramercy entered into a collateral management agreement with the Manager. Pursuant to the collateral management agreement, the Manager agreed to provide certain advisory and administrative services in relation to the collateral debt securities and other eligible investments securing the CDO notes. The collateral management agreement provided for a senior collateral management fee, payable quarterly in accordance with the priority of payments as set forth in the indenture, equal to 0.15% per annum of the net outstanding portfolio balance, and a subordinate collateral management fee, payable quarterly in accordance with the priority of payments as set forth in the indenture, equal to 0.25% per annum of the net outstanding portfolio balance. Net outstanding portfolio balance is the sum of the (i) aggregate principal balance of the collateral debt securities, excluding defaulted securities, (ii) aggregate principal balance of all principal proceeds held as cash and eligible investments in certain accounts, and (iii) with respect to the defaulted securities, the calculation amount of such defaulted securities. As compensation for the performance of its obligations as collateral manager under the first CDO, Gramercy s board of directors had allocated to the Manager the subordinate collateral management fee paid on securities not held by Gramercy. The senior collateral management fee and balance of the subordinate collateral management fee was allocated to Gramercy. For the three months ended March 31, 2009 and 2008 we received an aggregate of approximately $4.9 million and $4.2 million, respectively, in fees under the management agreement and none and $1.3 million, respectively, under the collateral management agreement. Fees payable to the Manager under the collateral management agreement were remitted to Gramercy for the three months ended March 31, 2009. In 2008, we, as well as Gramercy, each formed special committees comprised solely of independent directors to consider whether the GKK Internalization

and/or amendment to the management agreement would be in the best interest of each company and its respective shareholders. The GKK Internalization was completed on April 24, 2009 through the direct acquisition by Gramercy of the Manager.

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On October 27, 2008, the Manager entered into a Second Amended and Restated Management Agreement (the Second Amended Management Agreement) with Gramercy and GKK Capital LP. The Second Amended Management Agreement generally contained the same terms and conditions as the Amended and Restated Management Agreement, dated as of April 19, 2006, except for the following material changes: (i) reduced the annual base management fee payable by Gramercy to the Manager to 1.50% of Gramercy s stockholders equity (effective October 1, 2008); (ii) reduced the termination fee to an amount equal to the management fee earned by the Manager during the 12-month period immediately preceding the effective date of the termination; and (iii) provided that all management, service and similar fees relating to Gramercy s CDOs that the Manager was entitled to receive were to be remitted by the Manager to Gramercy for any period from and after July 1, 2008. The Second Amended Management Agreement was terminated in connection with the GKK Internalization.

Prior to the GKK Internalization, to provide an incentive for the Manager to enhance the value of Gramercy s common stock, we, along with the other holders of Class B limited partnership interests in Gramercy s operating partnership, were entitled to an incentive return payable through the Class B limited partner interests in Gramercy s operating partnership, equal to 25% of the amount by which funds from operations (as defined in Gramercy s amended and restated partnership agreement) plus certain accounting gains exceed the product of the weighted average stockholders equity of Gramercy multiplied by 9.5% (divided by four to adjust for quarterly calculations). We recorded distributions on the Class B limited partner interests as incentive distribution income in the period when earned and when receipt of such amounts became probable and reasonably estimable in accordance with Gramercy s amended and restated partnership agreement as if such agreement had been terminated on that date. We earned approximately none and $2.5 million under this agreement for the three months ended March 31, 2009 and 2008, respectively. During the fourth quarter of 2008, we entered into an agreement with Gramercy which, among other matters, obligated Gramercy and us to use commercially reasonable efforts to obtain the consents of certain lenders to Gramercy and its subsidiaries to the GKK Internalization. Consent was received by Gramercy and the GKK Internalization was completed in April 2009. Amounts payable to the Class B limited partnership interests were waived since July 1, 2008. Due to the control we had over the Manager prior to the GKK Internalization, we consolidated the accounts of the Manager into ours.

On October 27, 2008, the Manager entered into a letter agreement (the Letter Agreement) with the operating partnership, Gramercy, GKK Capital LP and the individual limited partners of GKK Capital LP party thereto, pursuant to which the holders of the Class B limited partner interests of GKK Capital LP agreed to waive their respective rights to receive distributions payable on the Class B limited partner interests in respect of the period commencing July 1, 2008 and ending on December 31, 2008. For all periods from and after January 1, 2009, the holders of the Class B limited partner interests were entitled to receive distributions from GKK Capital LP in accordance with the partnership agreement of GKK Capital LP, except that Gramercy could, at its option, elect to assume directly and satisfy the right of the holders to receive distributions, if permissible under applicable law or the requirements of the exchange on which the shares of common stock trade, in shares of common stock. In addition, the Letter Agreement provided that Gramercy would not amend certain provisions of its charter and bylaws related to indemnification of directors and officers in a manner that was adverse to the operating partnership or any of the individuals party to the Letter Agreement, other than any amendments that would only apply to acts or omissions occurring after the date of such amendment.

In May 2005, our Compensation Committee approved long-term incentive performance awards pursuant to which certain of our officers and employees, including some of whom are our senior executive officers, were awarded a portion of the interests previously held by us in the Manager, which at the time was an affiliate of ours, as well as in the Class B limited partner interests in Gramercy s operating partnership. The vesting of these awards was dependent upon, among other things, tenure of employment and the performance of our investment in Gramercy.

These awards vested in May 2008. We recorded compensation expense of approximately none and $0.8 million for the three months ended March 31, 2009 and 2008, respectively, related to these awards. The officers and employees who received the awards owned 15.6 units, or 15.6%, of the Class B limited partner interests and 15.6% of the Manager. During the second quarter of 2008, we acquired an additional 12.42% ownership interest in the Manager. Pursuant to an agreement dated December 30, 2008, all the Class B limited partner interests and the remaining 15.6% interest in the Manager were transferred to us. On April 24, 2009, Gramercy acquired all the interests in the Manager and all the Class B limited partner interests from us.

Prior to the GKK Internalization, Gramercy was obligated to reimburse the Manager for its costs incurred under an asset servicing agreement and an outsourcing agreement between the Manager and us. The asset servicing agreement, which was amended and restated in April 2006, provided for an annual fee payable to us of 0.05% of the book value of all Gramercy s credit tenant lease assets and non-investment grade bonds and 0.15% of the book value of all other Gramercy assets. The outsourcing agreement provided for a fee of $2.7 million per year, increasing 3% annually over the prior year. For the three months ended March 31, 2009 and 2008, the Manager received an aggregate of approximately $0.8 million and $1.3 million, respectively, under the outsourcing and asset servicing agreements. On October 27, 2008, the Manager and SLG Gramercy Services LLC (the Servicer) entered into an agreement, which

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was also acknowledged and agreed to by Gramercy, to terminate, effective as of September 30, 2008, the Amended and Restated Asset Servicing Agreement, dated as of April 19, 2006. On October 27, 2008, the Manager and the operating partnership entered into an agreement to terminate, effective as of September 30, 2008, the Amended and Restated Outsource Agreement, dated as of April 19, 2006.

On October 27, 2008, we, Gramercy and GKK Capital LP entered into a services agreement (the Services Agreement) pursuant to which we provided consulting and other services to Gramercy. We made certain members of management available in connection with the provision of the services until the completion of the GKK Internalization on April 24, 2009. In consideration for the consulting services, we received from Gramercy a fee of $200,000 per month, payable, at Gramercy s option, in cash or, if permissible under applicable law or the requirements of the exchange on which the shares of Gramercy s common stock trade, in shares of common stock. We also provided Gramercy with certain other services described in the Services Agreement for a fee of $100,000 per month in cash until April 24, 2009. The Services Agreement was terminated in connection with the GKK Internalization. From October 27, 2008 until April 24, 2009, an affiliate of ours served as special servicer for certain assets held by Gramercy or its affiliates and assigned its duties to a subsidiary of the Manager.

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

Effective May 1, 2005, Gramercy entered into a lease agreement with an affiliate of ours, for their corporate offices at 420 Lexington Avenue, New York, NY. The lease is for approximately five thousand square feet with an option to lease an additional approximately two thousand square feet and carries a term of ten years with rents of approximately $249,000 per annum for year one rising to $315,000 per annum in year ten. Gramercy also leases approximately 5,200 square feet pursuant to two leases which are on a month-to-month basis. The annual rent under these two leases is approximately $270,600.

Gramercy holds tenancy-in-common interests along with us in 2 Herald Square and 885 Third Avenue. See Note 5 for information on our structured finance investments in which Gramercy also holds an interest.

One of our affiliates held an investment in Gramercy s preferred stock with a book value of approximately $0.2 million at March 31, 2009.

In April 2008, Gramercy completed the acquisition of American Financial Realty Trust, or AFR, in a transaction with a total value of approximately $3.3 billion. In addition, Gramercy assumed an aggregate of approximately $1.3 billion of AFR secured debt. We provided $50.0 million of financing as part of an $850.0 million loan to Gramercy in connection with this acquisition (See note 5). As a result of this acquisition, the Board of Directors of Gramercy awarded 644,787 restricted shares of Gramercy s common stock to us, subject to a one-year vesting period, in respect of services rendered. We recognized income of approximately $6.6 million from these shares, which was recorded in

other income in the accompanying statements of income.

On October 27, 2008, Marc Holliday, our Chief Executive Officer, Andrew Mathias, our President and Chief Investment Officer and Gregory F. Hughes, our Chief Financial Officer and Chief Operating Officer resigned as Chief Executive Officer, Chief Investment Officer and Chief Credit Officer, respectively, of Gramercy. Mr. Holliday also resigned as President of Gramercy effective as of October 28, 2008. Mr. Holliday and Mr. Mathias agreed to remain as consultants to Gramercy through the earliest of (i) September 30, 2009, (ii) the termination of the Second Amended Management Agreement or (iii) the termination of their respective employment with us. This agreement was terminated in connection with the GKK Internalization.

On October 28, 2008, Gramercy announced the appointment of Roger M. Cozzi, as President and Chief Executive Officer, effective immediately. Effective as of November 13, 2008, Timothy J. O Connor was appointed as President of Gramercy.

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The condensed combined balance sheets for the unconsolidated joint ventures, including estimates for Gramercy, at March 31, 2009 and December 31, 2008, are as follows (in thousands):

	2009	2008
Assets		
Commercial real estate property, net	**$ 9,586,739**	$ 9,739,017
Structured finance investments	**2,904,174**	3,226,922
Other assets	**1,784,065**	1,556,593
Total assets	**$ 14,274,978**	$ 14,522,532
Liabilities and members equity		
Mortgages payable	**$ 6,710,371**	$ 6,768,594
Other loans	**2,837,360**	3,026,262
Other liabilities	**1,633,421**	1,458,256
Members equity	**3,093,826**	3,269,420
Total liabilities and members equity	**$ 14,274,978**	$ 14,522,532
Company s net investment in unconsolidated joint ventures	**$ 976,572**	$ 975,483

The condensed combined statements of operations for the unconsolidated joint ventures, including estimates for Gramercy, from acquisition date through March 31, 2009 and 2008, are as follows (in thousands):

	Three Months Ended March 31,	
	2009	2008
Total revenues	**$ 332,906**	$ 255,032
Operating expenses	**131,647**	54,190
Real estate taxes	**35,326**	20,130
Interest	**119,056**	95,142
Depreciation and amortization	**67,119**	35,770
Other income/ expenses	**(19,975)**	
Total expenses	**333,173**	205,232
Net income (loss) before gain on sale	**$ (267)**	$ 49,800
Company s equity in net income of unconsolidated joint ventures	**$ 13,073**	$ 19,425

7. Investment in and Advances to Affiliates

Service Corporation

Income from management, leasing and construction contracts from third parties and joint venture properties is realized by the Service Corporation. In order to maintain our qualification as a REIT, we, through our operating partnership, own 100% of the non-voting common stock (representing 95% of the total equity) of the Service Corporation. Our operating partnership receives substantially all of the cash flow from the Service Corporation s operations through dividends on its equity interest. All of the voting common stock of the Service Corporation (representing 5% of the total equity) is held by our affiliate. This controlling interest gives the affiliate the power to elect all directors of the Service Corporation. Effective July 1, 2003, we consolidated the operations of the Service Corporation because it is considered to be a variable interest entity under FIN 46 and we are the primary beneficiary. For the three months ended March 31, 2009 and 2008, the Service Corporation earned approximately $8.6 million and $3.7 million of revenue and incurred approximately $2.6 million and $2.8 million in expenses, respectively. Effective January 1, 2001, the Service Corporation elected to be treated as a TRS.

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

eEmerge

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

In March 2002, we acquired all the voting common stock of eEmerge Inc. As a result, we control all the common stock of eEmerge. Effective with the quarter ended March 31, 2002, we consolidated the operations of eEmerge. Effective January 1, 2001, eEmerge elected to be taxed as a TRS.

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

8. Deferred Costs

Deferred costs at March 31, 2009 and December 31, 2008 consisted of the following (in thousands):

	2009	2008
Deferred financing	**$ 64,861**	$ 63,262
Deferred leasing	**149,449**	146,951
	214,310	210,213
Less accumulated amortization	**(80,013)**	(77,161)
	$ 134,297	$ 133,052

9. Mortgage Notes Payable

The first mortgage notes payable collateralized by the respective properties and assignment of leases at March 31, 2009 and December 31, 2008, respectively, were as follows (in thousands):

Property	Maturity Date	Interest Rate (2)	2009	2008
711 Third Avenue (1)	06/2015	4.99%	**$ 120,000**	$ 120,000
420 Lexington Avenue (1)	11/2010	8.44%	**109,268**	110,013
673 First Avenue (1)	02/2013	5.67%	**32,191**	32,388
220 East 42nd Street (1)	12/2013	5.24%	**201,784**	202,780
625 Madison Avenue (1)	11/2015	6.27%	**97,014**	97,583
609 Fifth Avenue (1)	10/2013	5.85%	**98,965**	99,319
609 Partners, LLC (1)	07/2014	5.00%	**63,891**	63,891
485 Lexington Avenue (1)	02/2017	5.61%	**450,000**	450,000
120 West 45th Street (1)	02/2017	6.12%	**170,000**	170,000
919 Third Avenue (1) (3)	07/2011	6.87%	**227,329**	228,046
300 Main Street (1)	02/2017	5.75%	**11,500**	11,500
399 Knollwood Rd (1)	03/2014	5.75%	**18,648**	18,728
500 West Putnam (1)	01/2016	5.52%	**25,000**	25,000
141 Fifth Avenue (1) (4)	06/2017	5.70%	**25,000**	25,000
One Madison Avenue (1) (5)	05/2020	5.91%	**660,210**	663,071
Total fixed rate debt			**2,310,800**	2,317,319
180/182 Broadway (1) (6)	02/2011	2.70%	**22,272**	21,183
Landmark Square (1) (7)	02/2010	2.30%	**128,000**	128,000
28 West 44th Street (1)	08/2013	3.43%	**124,520**	124,856
Total floating rate debt			**274,792**	274,039
Total mortgage notes payable			**$ 2,585,592**	$ 2,591,358

(1) Held in bankruptcy remote special purpose entity.
(2) Effective interest rate for the quarter ended March 31, 2009.
(3) We own a 51% controlling interest in the joint venture that is the borrower on this loan. This loan is non-recourse to us.
(4) We own a 50% controlling interest in the joint venture that is the borrower on this loan. This loan is non-recourse to us. This loan was refinanced in June 2007.
(5) From April 2005 until August 2007, we held a 55% partnership interest in the joint venture that owned this property. We now own 100% of the property.
(6) We own a 50% controlling interest in the joint venture that is the borrower on this loan. This loan is non-recourse to us.
(7) This loan has two one-year as-of-right renewal options.

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At March 31, 2009 and December 31, 2008 the gross book value of the properties collateralizing the mortgage notes was approximately $4.5 billion and $4.8 billion, respectively.

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

	Three Months Ended March 31,	
	2009	2008
Interest expenses	$ 61,839	$ 78,080
Interest income	(1,575)	(2,034)
Interest expense, net	$ 60,264	$ 76,046
Interest capitalized	$	$ 1,582

10. Corporate Indebtedness

2007 Unsecured Revolving Credit Facility

We have a $1.5 billion unsecured revolving credit facility, or the 2007 unsecured revolving credit facility. The 2007 unsecured revolving credit facility bears interest at a spread ranging from 70 basis points to 110 basis points over LIBOR, based on our leverage ratio. This facility matures in June 2011 and has a one-year as-of-right extension option. The 2007 unsecured revolving credit facility also requires a 12.5 to 20 basis point fee on the unused balance payable annually in arrears. The 2007 unsecured revolving credit facility had a balance of $1.4 billion and carried a spread over LIBOR of 90 basis points at March 31, 2009. Availability under the 2007 unsecured revolving credit facility was further reduced by the issuance of approximately $21.1 million in letters of credit and by a defaulted lenders unfunded commitment of approximately $33.4 million. The effective all-in interest rate on the 2007 unsecured revolving credit facility was 1.51% for the three months ended March 31, 2009. The 2007 unsecured revolving credit facility includes certain restrictions and covenants (see restrictive covenants below).

Term Loan

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

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Senior Unsecured Notes

The following table sets forth our senior unsecured notes and other related disclosures by scheduled maturity date as of March 31, 2009 (in thousands):

Issuance		Accreted Balance	Coupon Rate(5)	Term (in Years)	Maturity
January 22, 2004 (1) (2)	$	138,755	5.15%	7	January 15, 2011
August 13, 2004 (1)		150,000	5.875%	10	August 15, 2014
March 31, 2006 (1)		274,700	6.00%	10	March 31, 2016
June 27, 2005 (1) (3)		180,515	4.00%	20	June 15, 2025
March 26, 2007 (4)		407,586	3.00%	20	March 30, 2027
	$	**1,151,556**			

(1) Assumed as part of the Reckson Merger.

(2) During the three months ended March 31, 2009, we repurchased approximately $11.2 million of these notes and realized net gains on early extinguishment of debt of approximately $1.9 million.

(3) Exchangeable senior debentures which are callable after June 17, 2010 at 100% of par. In addition, the debentures can be put to us, at the option of the holder at par plus accrued and unpaid interest, on June 15, 2010, 2015 and 2020 and upon the occurrence of certain change of control transactions. As a result of the Reckson Merger, the adjusted exchange rate for the debentures is 7.7461 shares of our common stock per $1,000 of principal amount of debentures and the adjusted reference dividend for the debentures is $1.3491.

(4) In March 2007, we issued $750.0 million of these convertible bonds. Interest on these notes is payable semi-annually on March 30 and September 30. The notes have an initial exchange rate representing an exchange price that is at a 25.0% premium to the last reported sale price of our common stock on March 20, 2007, or $173.30. The initial exchange rate is subject to adjustment under certain circumstances. The notes are senior unsecured obligations of our operating partnership and are exchangeable upon the occurrence of specified events, and during the period beginning on the twenty-second scheduled trading day prior to the maturity date and ending on the second business day prior to the maturity date, into cash or a combination of cash and shares of our common stock, if any, at our option. The notes are redeemable, at our option, on and after April 15, 2012. We may be required to repurchase the notes on March 30, 2012, 2017 and 2022, and upon the occurrence of certain designated events. The net proceeds from the offering were approximately $736.0 million, after deducting estimated fees and expenses. The proceeds of the offering were used to repay certain of our existing indebtedness, make investments in additional properties, and make open market purchases of our common stock and for general corporate purposes. During the three months ended March 31, 2009, we repurchased approximately $152.8 million of these bonds and realized net gains on early extinguishment of debt of approximately $45.8 million.

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

In March 2009, the $200.0 million, 7.75% unsecured notes scheduled to mature in March 2009, assumed as part of the Reckson Merger, were redeemed at par.

Restrictive Covenants

The terms of the 2007 unsecured revolving credit facility and senior unsecured notes include certain restrictions and covenants which limit, among other things, the payment of dividends (as discussed below), the incurrence of additional indebtedness, the incurrence of liens and the disposition of assets, and which require compliance with financial ratios relating to the minimum amount of tangible net worth, the minimum amount of debt service coverage and fixed charge coverage, the maximum amount of unsecured indebtedness, the minimum amount of unencumbered property debt service coverage and certain investment limitations. The dividend restriction referred to above provides that, except to enable us to continue to qualify as a REIT for Federal Income Tax purposes, we will not during any four consecutive fiscal quarters make distributions with respect to common stock or other equity interests in an aggregate amount in excess of 95% of funds from operations for such period, subject to certain other adjustments. As of March 31, 2009 and December 31, 2008, we were in compliance with all such covenants.

Junior Subordinate Deferrable Interest Debentures

In June 2005, we issued $100.0 million in unsecured floating rate trust preferred securities through a newly formed trust, SL Green Capital Trust I, or the Trust, which is a wholly-owned subsidiary of our operating partnership. The securities mature in 2035 and bear interest at a fixed rate of 5.61% for the first ten years ending July 2015, interest payments may be deferred for a period of up to eight consecutive quarters if our operating partnership exercises its right to defer such payments. The trust preferred securities are redeemable, at the option of our operating partnership, in whole or in part, with no prepayment premium any time after July 2010. We do not consolidate the Trust even though it is a variable interest entity under FIN46 as we are not the primary beneficiary. Because the Trust is not consolidated, we have recorded the debt and the related payments are classified as interest expense.

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Principal Maturities

Combined aggregate principal maturities of mortgages and notes payable, 2007 unsecured revolving credit facility, trust preferred securities, senior unsecured notes and our share of joint venture debt as of March 31, 2009, including as-of-right extension options, were as follows (in thousands):

	Scheduled Amortization	Principal Repayments	Revolving Credit Facility	Trust Preferred Securities	Term Loan and Unsecured Notes	Total	Joint Venture Debt
2009	$ 21,270	$ -	$	$	$	$ 21,270	$ 56,057
2010	29,561	104,691			180,515	314,767	460,103
2011	28,383	238,928			138,755	406,066	172,161
2012	31,538	128,000	1,389,067		407,586	1,956,191	34,192
2013	30,962	420,310				451,272	1,677
Thereafter	189,807	1,362,142		100,000	424,700	2,076,649	1,211,270
	$ 331,521	$ 2,254,071	$ 1,389,067	$ 100,000	$ 1,151,556	$ 5,226,215	$ 1,935,460

11. Related Party Transactions

Cleaning/ Security/ Messenger and Restoration Services

Through Alliance Building Services, or Alliance, First Quality Maintenance, L.P., or First Quality, provides cleaning, extermination and related services, Classic Security LLC provides security services, Bright Star Couriers LLC provides messenger services, and Onyx Restoration Works provides restoration services with respect to certain properties owned by us. Alliance is owned by Gary Green, a son of Stephen L. Green, the chairman of our board of directors. 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. We paid Alliance approximately $3.4 million and $3.6 million for the three months ended March 31, 2009 and 2008, respectively, for these services (excluding services provided directly to tenants).

Leases

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

Brokerage Services

Sonnenblick-Goldman Company, or Sonnenblick, a nationally recognized real estate investment banking firm, provided mortgage brokerage services to us. Mr. Morton Holliday, the father of Mr. Marc Holliday, was a Managing Director of Sonnenblick at the time of the financings. In 2008, our 1250 Broadway joint venture paid approximately $1.7 million to Sonnenblick in connection with the sale of 1250 Broadway.

Management Fees

S.L. Green Management Corp. receives property management fees from an entity in which Stephen L. Green owns an interest. The aggregate amount of fees paid to S.L. Green Management Corp. from such entity was approximately $95,000 and $92,000 for the three months ended March 31, 2009 and 2008, respectively.

Other

Amounts due from related parties at March 31, 2009 and December 31, 2008 consisted of the following (in thousands):

	2009	2008
Due from joint ventures	**$ 5,069**	$ 1,472
Officers and employees	**153**	153
Other	**8,897**	6,051
Related party receivables	**$ 14,119**	$ 7,676

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Gramercy Capital Corp.

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

12. Stockholders Equity

Common Stock

Our authorized capital stock consists of 260,000,000 shares, $.01 par value, of which we have authorized the issuance of up to 160,000,000 shares of common stock, $.01 par value per share, 75,000,000 shares of excess stock, at $.01 par value per share, and 25,000,000 shares of preferred stock, par value $.01 per share. As of March 31, 2009, 57,258,756 shares of common stock and no shares of excess stock were issued and outstanding.

In March 2007, our board of directors approved a stock repurchase plan under which we can buy up to $300.0 million shares of our common stock. This plan expired on December 31, 2008. As of December 31, 2008, we purchased and settled approximately $300.0 million, or 3.3 million shares of our common stock at an average price of $90.49 per share.

Perpetual Preferred Stock

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

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

Rights Plan

In February 2000, our board of directors authorized a distribution of one preferred share purchase right, or Right, for each outstanding share of common stock under a shareholder rights plan. This distribution was made to all holders of record of the common stock on March 31, 2000. Each Right entitles the registered holder to purchase from us one one-hundredth of a share of Series B junior participating preferred stock, par value $0.01 per share, or Preferred Shares, at a price of $60.00 per one one-hundredth of a Preferred Share, or Purchase Price, subject to adjustment as provided in the rights agreement. The Rights expire on March 5, 2010, unless we extend the expiration date or the Right is redeemed or exchanged earlier. The Rights are attached to each share of common stock. The Rights are generally exercisable only if a person

or group becomes the beneficial owner of 17% or more of the outstanding common stock or announces a tender offer for 17% or more of the outstanding common stock, or Acquiring Person. In the event that a person or group becomes an Acquiring Person, each holder of a Right, excluding the Acquiring Person, will have the right to receive, upon exercise, common stock having a market value equal to two times the Purchase Price of the Preferred Shares.

Dividend Reinvestment and Stock Purchase Plan

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

During the three months ended March 31, 2009 and 2008, approximately none and 1,000 shares were issued and approximately none and $80,000 of proceeds were received, respectively, from dividend reinvestments and/or stock purchases under the DRIP. DRIP shares may be issued at a discount to the market price.

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2003 Long-Term Outperformance Compensation Program

Our board of directors adopted a long-term, seven-year compensation program for certain members of senior management. The program, which measured our performance over a 48-month period (unless terminated earlier) commencing April 1, 2003, provided that holders of our common equity were to achieve a 40% total return during the measurement period over a base share price of $30.07 per share before any restricted stock awards were granted. Plan participants would receive an award of restricted stock in an amount between 8% and 10% of the excess total return over the baseline return. At the end of the four-year measurement period, 40% of the award will vest on the measurement date and 60% of the award will vest ratably over the subsequent three years based on continued employment. Any restricted stock to be issued under the program will be allocated from our 2005 Stock Option and Incentive Plan (as defined below), which was previously approved through a stockholder vote in May 2005. In April 2007, the Compensation Committee determined that under the terms of the 2003 Outperformance Plan, as of March 31, 2007, the performance hurdles had been met and the maximum performance pool of $22,825,000, taking into account forfeitures, was established. In connection with this event, approximately 166,312 shares of restricted stock (as adjusted for forfeitures) were allocated under the 2005 Stock Option and Incentive Plan. These awards are subject to vesting as noted above. We record the expense of the restricted stock award in accordance with SFAS 123-R. The fair value of the award on the date of grant was determined to be $3.2 million. Forty percent of the value of the award will be amortized over four years and the balance will be amortized at 20% per year over five, six and seven years, respectively, such that 20% of year five, 16.67% of year six, and 14.29% of year seven will be recorded in year one. Compensation expense of $29,500 and $58,000 related to this plan was recorded during the three months ended March 31, 2009 and 2008, respectively.

2005 Long-Term Outperformance Compensation Program

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

After the performance pool was established, the earned LTIP Units are to receive regular quarterly distributions on a per unit basis equal to the dividends per share paid on our common stock, whether or not they are vested. Any LTIP Units not earned upon the establishment of the performance pool were to be automatically forfeited, and the LTIP Units that are earned are subject to time-based vesting, with one-third of the LTIP Units earned vesting on November 30, 2008 and each of the first two anniversaries thereafter based on continued employment. On June 14, 2006, the Compensation Committee determined that under the terms of the 2005 Outperformance Plan, as of June 8, 2006, the performance period had accelerated and the maximum performance pool of $49,250,000, taking into account forfeitures, was established. Individual awards under the 2005 Outperformance Plan are in the form of partnership units, or LTIP Units, in our operating partnership that, subject to certain conditions, are convertible into shares of the Company s common stock or cash, at our election. The total number of LTIP Units earned by all participants as a result of the establishment of the performance pool was 490,475 and are subject to time-based vesting.

The cost of the 2005 Outperformance Plan (approximately $8.0 million, subject to adjustment for forfeitures) will continue to be amortized into earnings through the final vesting period in accordance with SFAS 123-R. We recorded approximately $0.6 million and $0.5 million of compensation expense during the three months ended March 31, 2009 and 2008, respectively, in connection with the 2005 Outperformance Plan.

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2006 Long-Term Outperformance Compensation Program

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

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

The cost of the 2006 Outperformance Plan (approximately $9.6 million, subject to adjustment for forfeitures) will be amortized into earnings through the final vesting period in accordance with SFAS 123-R. We recorded approximately $96,000 and $0.6 million of compensation expense during the three months ended March 31, 2009 and 2008, respectively, in connection with the 2006 Outperformance Plan. During the fourth quarter of 2008, we and certain of our employees, including our executive officers, mutually agreed to cancel a portion of the 2006 Outperformance Plan.

Deferred Stock Compensation Plan for Directors

Under our Independent Director s Deferral Program, which commenced July 2004, our non-employee directors may elect to defer up to 100% of their annual retainer fee, chairman fees and meeting fees. Unless otherwise elected by a participant, fees deferred under the program shall be credited in the form of phantom stock units. The phantom stock units are convertible into an equal number of shares of common stock upon such 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 three months ended March 31, 2009, 15,078 phantom stock units were earned. As of March 31, 2009, there were approximately 37,591 phantom stock units outstanding.

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Employee Stock Purchase Plan

On September 18, 2007, our board of directors adopted, subject to stockholder approval, the 2008 Employee Stock Purchase Plan, or ESPP, to encourage our employees to increase their efforts to make our business more successful by providing equity-based incentives to eligible employees. The ESPP is intended to qualify as an employee stock purchase plan under Section 423 of the Internal Revenue Code of 1986, as amended, and has been adopted by the board to enable our eligible employees to purchase our shares of common stock through payroll deductions. The ESPP became effective on January 1, 2008 with a maximum of 500,000 shares of the common stock available for issuance, subject to adjustment upon a merger, reorganization, stock split or other similar corporate change. We filed a registration statement on Form S-8 with the Securities and Exchange Commission with respect to the ESPP. The common stock will be offered for purchase through a series of successive offering periods. Each offering period will be three months in duration and will begin on the first day of each calendar quarter, with the first offering period having commenced on January 1, 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 March 31, 2009, approximately 8,476 shares of our common stock had been issued under the ESPP.

Stock Option Plan

During August 1997, we instituted the 1997 Stock Option and Incentive Plan, or the 1997 Plan. The 1997 Plan was amended in December 1997, March 1998, March 1999 and May 2002. The 1997 Plan, as amended, authorizes (i) the grant of stock options that qualify as incentive stock options under Section 422 of the Code, or ISOs, (ii) the grant of stock options that do not qualify, or NQSOs, (iii) the grant of stock options in lieu of cash Directors fees and (iv) grants of shares of restricted and unrestricted common stock. The exercise price of stock options are determined by our compensation committee, but may not be less than 100% of the fair market value of the shares of our common stock on the date of grant. At March 31, 2009, approximately 0.4 million shares of our common stock were reserved for issuance under the 1997 Plan.

Amended and Restated 2005 Stock Option and Incentive Plan

The amended and restated 2005 Stock Option and Incentive Plan was approved by our board of directors in March 2005 and our stockholders in May 2005 at our annual meeting of stockholders. Subject to adjustments upon certain corporate transactions or events, up to a maximum of 7,000,000 shares, or the Fungible Pool Limit, may be granted as Options, Restricted Stock, Phantom Shares, dividend equivalent rights and other equity-based awards under the amended and restated 2005 stock option and incentive plan, or the 2005 Plan. As described below, the manner in which the Fungible Pool Limit is finally determined can ultimately result in the issuance under the 2005 Plan of up to 6,000,000 shares (subject to adjustments upon certain corporate transactions or events). Each share issued or to be issued in connection with Full-Value Awards (as defined below) that vest or are granted based on the achievement of certain performance goals that are based on (A) FFO growth, (B) total return

to stockholders (either in absolute terms or compared with a peer group of other companies) or (C) a combination of the foregoing (as set forth in the 2005 Plan), shall be counted against the Fungible Pool Limit as 2.0 units. Full-Value Awards are awards other than Options, Stock Appreciation Rights or other awards that do not deliver the full value at grant thereof of the underlying shares (e.g., Restricted Stock). Each share issued or to be issued in connection with any other Full-Value Awards shall be counted against the Fungible Pool Limit as 3.0 units. Options, Stock Appreciation Rights and other awards that do not deliver the value at grant thereof of the underlying shares and that expire 10 years from the date of grant shall be counted against the Fungible Pool Limit as one unit. Options, Stock Appreciation Rights and other awards that do not deliver the value at grant thereof of the underlying shares and that expire five years from the date of grant shall be counted against the Fungible Pool Limit as 0.7 of a unit, or five-year option. Thus, under the foregoing rules, depending on the type of grants made, as many as 6,000,000 shares could be the subject of grants under the 2005 Plan. At the end of the third calendar year following April 1, 2005, which is the effective date of the original 2005 Plan, as well as at the end of the third calendar year following April 1, 2007, which is the effective date of the 2005 Plan, (i) the three-year average of (A) the number of shares subject to awards granted in a single year, divided by (B) the number of shares of our outstanding common stock at the end of such year shall not exceed the (ii) greater of (A) 2%, with respect to the third calendar year following April 1, 2005, or 2.23%, with respect to the third calendar year following April 1, 2007, or (B) the mean of the applicable peer group. For purposes of calculating the number of shares granted in a year in connection with the limitation set forth in the foregoing sentence, shares underlying Full-Value Awards will be taken into account as (i) 1.5 shares if our annual common stock price volatility is 53% or higher, (ii) two shares if our annual common stock price volatility is between 25% and 52%, and (iii) four shares if our annual common stock price volatility is less than 25%. No award may be granted to any person who, assuming exercise of all options and payment of all awards held by such person would own or be deemed to own more than 9.8% of the outstanding shares of the Company s common stock. In addition, subject to adjustment upon certain corporate transactions or events, a participant may not receive awards (with shares subject to awards being counted, depending on the type of award, in the proportions ranging from 0.7 to 3.0, as described above) in any one year covering more than 700,000 shares; thus, under this provision, depending on the type of grant involved, as many as 1,000,000 shares can be the subject of option

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grants to any one person in any year, and as many as 350,000 shares may be granted as restricted stock (or be the subject of other Full-Value Grants) to any one person in any year. If an option or other award granted under the 2005 Plan expires or terminates, the common stock subject to any portion of the award that expires or terminates without having been exercised or paid, as the case may be, will again become available for the issuance of additional awards. Shares of our common stock distributed under the 2005 Plan may be treasury shares or authorized but unissued shares. Unless the 2005 Plan is previously terminated by the Board, no new Award may be granted under the 2005 Plan after the tenth anniversary of the date that the 2005 Plan was approved by the Board. At March 31, 2009, approximately 3.9 million shares of our common stock, calculated on a weighted basis, were available for issuance under the 2005 Plan, or 5.6 million if all shares available under the 2005 Plan were issued as five-year options.

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

A summary of the status of our stock options as of March 31, 2009 and December 31, 2008 and changes during the periods then ended are presented below:

	2009		2008	
	Options Outstanding	Weighted Average Exercise Price	Options Outstanding	Weighted Average Exercise Price
Balance at beginning of year	937,706	$ 61.33	1,774,385	$ 88.21
Granted	18,000	$ 24.86	446,500	$ 65.51
Exercised		$	(195,680)	$ 36.08
Lapsed or cancelled	(8,167)	$ 30.00	(1,087,499)	$ 111.23
Balance at end of period	947,539	$ 60.91	937,706	$ 61.33
Options exercisable at end of period	617,354	$ 59.34	474,592	$ 52.55
Weighted average fair value of options granted during the period	$ 136,112		$ 5,163,000	

The weighted average fair value of restricted stock granted during the three months ended March 31, 2009 was approximately $5.0 million.

All options were granted within a price range of $20.67 to $137.18. The remaining weighted average contractual life of the options outstanding and exercisable was 6.7 years and 5.4 years, respectively.

Earnings Per Share

Earnings per share for the three months ended March 31, 2009 and 2008 is computed as follows (in thousands):

	Three Months Ended March 31,	
	2009	2008
Numerator (Income)		
Basic Earnings:		
Income attributable to common stockholders	$ 32,768	$ 121,094
Effect of Dilutive Securities:		
Redemption of units to common shares	1,320	5,037
Stock options		
Diluted Earnings:		
Income attributable to common stockholders	$ 34,088	$ 126,131

	Three Months Ended March 31,	
	2009	2008
Denominator (Weighted Average Shares)		
Basic Earnings:		
Shares available to common stockholders	57,178	58,482
Effect of Dilutive Securities:		
Redemption of units to common shares	2,339	2,340
4.0% exchangeable senior debentures		
Stock-based compensation plans	38	399
Diluted Shares	59,555	61,221

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13. Noncontrolling Interest in Operating Partnership

The unit holders represent the noncontrolling interest ownership in our operating partnership. As of March 31, 2009 and December 31, 2008, the noncontrolling interest unit holders owned 3.9% (2,336,477 units) and 3.94% (2,339,853 units) of the operating partnership, respectively. At March 31, 2009, 2,336,477 shares of our common stock were reserved for the conversion of units of limited partnership interest in our operating partnership.

14. Commitments and Contingencies

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

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 March 31, 2009 (in thousands):

March 31,	Capital lease	Non-cancellable operating leases
2009	$ 1,062	$ 26,934
2010	1,451	32,127
2011	1,555	30,003
2012	1,555	29,253
2013	1,555	29,252
Thereafter	47,206	625,959
Total minimum lease payments	54,384	$ 773,528
Less amount representing interest	(37,637)	
Present value of net minimum lease payments	$ 16,747	

15. Financial Instruments: Derivatives and Hedging

In accordance with SFAS No. 133, Accounting for Derivative Instruments and Hedging Activities, we recognize all derivatives on the balance sheet at fair value. Derivatives that are not hedges must be adjusted to fair value through 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. SFAS No. 133 may increase or decrease reported net income and stockholders equity prospectively, depending on future levels of interest rates and other variables affecting the fair values of derivative instruments and hedged items, but will have no effect on cash flows.

The following table summarizes the notional and fair value of our derivative financial instruments at March 31, 2009 based on a Level 2 valuation as defined in SFAS No. 157. The notional value is an indication of the extent of our involvement in these instruments at that time, but does not represent exposure to credit, interest rate or market risks (in thousands).

	Notional Value	Strike Rate	Effective Date	Expiration Date	Fair Value
Interest Rate Swap	$ 60,000	4.364%	1/2007	5/2010	$ (2,341)
Interest Rate Swap	$ 105,000	4.910%	12/2009	12/2019	$ (15,518)
Interest Rate Swap	$ 100,000	4.705%	12/2009	12/2019	$ (13,169)
Interest Rate Cap	$ 128,000	6.000%	1/2007	2/2009	$

On March 31, 2009, the derivative instruments were reported as an obligation at their fair value of approximately $31.0 million. This is included in Other Liabilities on the consolidated balance sheet at March 31, 2009. Offsetting adjustments are represented as deferred gains or losses in Accumulated Other Comprehensive Loss of $53.1 million, including the remaining balance on net gains of approximately $5.8 million from the settlement of hedges, which are being amortized over the remaining term of the related mortgage obligation. Currently, all of our derivative instruments are designated as effective hedging instruments.

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

16. Environmental Matters

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

17. Segment Information

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

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

Selected results of operations for the three months ended March 31, 2009 and 2008, and selected asset information as of March 31, 2009 and December 31, 2008, regarding our operating segments are as follows (in thousands):

	Real Estate Segment	Structured Finance Segment	Total Company

Total revenues			
Three months ended:			
March 31, 2009	$ 240,835	$ 22,570	$ 263,405
March 31, 2008	234,304	20,398	254,702
Income from continuing operations:			
Three months ended:			
March 31, 2009	$ 78,059	$ (42,031)	$ 36,028
March 31, 2008	12,109	10,751	22,860
Total assets			
As of:			
March 31, 2009	$ 9,803,440	$ 697,693	$ 10,501,133
December 31, 2008	10,227,656	756,697	10,984,353

Income from continuing operations represents total revenues less total expenses for the real estate segment and total investment income less allocated interest expense for the structured finance segment. Interest costs for the structured finance segment are imputed assuming 100% leverage at our 2007 unsecured revolving credit facility borrowing cost. We do not allocate marketing, general and administrative expenses (approximately $17.9 million and $24.5 million for the three months ended March 31, 2009 and 2008, respectively) to the structured finance segment, since we base performance on the individual segments prior to allocating marketing, general and administrative expenses. All other expenses, except interest, relate entirely to the real estate assets. There were no transactions between the above two segments.

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(Unaudited)

March 31, 2009

The table below reconciles income from continuing operations to net income attributable to SL Green common stockholders for the three months ended March 31, 2009 and 2008 (in thousands):

	Three Months Ended March 31,	
	2009	2008
Income from continuing operations	$ 36,028	$ 22,860
Income/ gains from discontinued operations	6,506	111,597
Net income	42,534	134,457
Net income attributable to noncontrolling interests	(4,797)	(8,394)
Net income attributable to SL Green	37,737	126,063
Preferred stock dividend	(4,969)	(4,969)
Net income attributable to SL Green common stockholders	$ 32,768	$ 121,094

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

A summary of our non-cash investing and financing activities for the three months ended March 31, 2009 and 2007 is presented below (in thousands):

	Three Months Ended March 31,	
	2009	2008
Issuance of common stock as deferred compensation	$ 373	$ 341
Derivative instruments at fair value	6,259	4,238
Real estate investments consolidated under FIN 46(R)		14,760
Mortgage assigned upon asset sale	95,000	
Tenant improvements and lease commissions payable	6,538	854

19. Subsequent Events

From April 1, 2009 to May 4, 2009, we repurchased approximately $60.9 million of our senior unsecured notes and bonds and realized net gains on early extinguishment of debt of approximately $9.8 million.

In April 2009, Gramercy and SL Green completed the GKK Internalization. The GKK Internalization was completed through the direct acquisition by Gramercy of the Manager (See Note 6).

In April 2009, we sold our remaining 50 percent interest in pad IV at 55 Corporate Drive, NJ to Mack-Cali. In connection with this transaction, we also sold the remaining interest in the Mack-Green joint venture to Mack-Cali.

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

Overview

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

On January 25, 2007, we completed the acquisition, or the Reckson Merger, of all of the outstanding shares of common stock of Reckson Associates Realty Corp., or Reckson, pursuant to the terms of the Agreement and Plan of Merger, dated as of August 3, 2006, as amended, the Merger Agreement, among SL Green, Wyoming Acquisition Corp., or Wyoming, Wyoming Acquisition GP LLC, Wyoming Acquisition Partnership LP, Reckson and Reckson Operating Partnership, L.P. or ROP. We paid approximately $6.0 billion, inclusive of transaction costs, for Reckson. ROP is a subsidiary of our operating partnership.

On January 25, 2007, we completed the sale, or Asset Sale, of certain assets of ROP to an asset purchasing venture led by certain of Reckson s former executive management, or the Buyer, for a total consideration of approximately $2.0 billion.

The following discussion related to our consolidated financial statements should be read in conjunction with the financial statements appearing in this Quarterly Report on Form 10-Q and in Item 8 of our Annual Report on Form 10-K and Form 10-K/A No.1 for the year ended December 31, 2008.

As of March 31, 2009, we owned the following interests in commercial office properties in the New York Metro area, primarily in midtown Manhattan, a borough of New York City, or Manhattan. Our investments in the New York Metro area also include investments in Brooklyn, Queens, Long Island, Westchester County, Connecticut and New Jersey, which are collectively known as the Suburban assets:

Location	Ownership	Number of Properties	Square Feet	Weighted Average Occupancy (1)
Manhattan	Consolidated properties	21	13,782,200	97.2%
	Unconsolidated properties	8	9,429,000	94.7%
Suburban	Consolidated properties	26	4,008,000	87.8%
	Unconsolidated properties	6	2,941,700	94.1%
		61	30,160,900	94.8%

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

We also own investments in eight retail properties encompassing approximately 400,212 square feet, three development properties encompassing approximately 399,800 square feet and two land interests. In addition, we manage three office properties owned by third parties and affiliated companies encompassing approximately 1.0 million rentable square feet.

As of March 31, 2009, we also owned approximately 12.48% of the outstanding common stock of Gramercy Capital Corp. (NYSE: GKK), or Gramercy, as well as all the units of the Class B limited partner interest in Gramercy s operating partnership, which were subsequently transferred to Gramercy on April 24, 2009. See Note 6.

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Critical Accounting Policies

Refer to our 2008 Annual Report on Form 10-K for a discussion of our critical accounting policies, which include rental property, investment in unconsolidated joint ventures, revenue recognition, allowance for doubtful accounts, reserve for possible credit losses and derivative instruments. There have been no changes to these policies in 2009.

Results of Operations

Comparison of the three months ended March 31, 2009 to the three months ended March 31, 2008

The following comparison for the three months ended March 31, 2009, or 2009, to the three months ended March 31, 2008, or 2008, makes reference to the following: (i) the effect of the Same-Store Properties, which represents all properties owned by us at January 1, 2008 and at March 31, 2009 and total 46 of our 61 consolidated properties, representing approximately 73% of our share of annualized rental revenue, (ii) the effect of the Acquisitions, which represents all properties or interests in properties acquired in 2008 and all non-Same-Store Properties, including properties deconsolidated during the period, and (iii) Other, which represents corporate level items not allocable to specific properties, the Service Corporation and eEmerge. Assets classified as held for sale, are excluded from the following discussion.

Rental Revenues (in millions)	2009	2008	$ Change	% Change
Rental revenue	$ 196.5	$ 193.8	$ 2.7	1.4%
Escalation and reimbursement revenue	33.8	30.0	3.8	12.7
Total	$ 230.3	$ 223.8	$ 6.5	2.9%
Same-Store Properties	$ 224.0	$ 214.2	$ 9.8	4.6%
Acquisitions	3.2	8.1	(4.9)	(60.5)
Other	3.1	1.5	1.6	106.7
Total	$ 230.3	$ 223.8	$ 6.5	2.9%

Occupancy in the Same-Store Properties was 95.5% at March 31, 2008, 95.3% at December 31, 2008 and 94.9% at March 31, 2009. The increase in the Acquisitions is primarily due to owning these properties for a period during the quarter in 2009 compared to a partial period or not being included in 2008.

At March 31, 2009, we estimated that the current market rents on our consolidated Manhattan properties and consolidated Suburban properties were approximately 14.4% and 8.1% higher, respectively, than then existing in-place fully escalated rents. Approximately 7.1% of the space leased at our consolidated properties expires during the remainder of 2009.

The increase in escalation and reimbursement revenue was due to the recoveries at the Same-Store Properties ($3.5 million) and the Acquisitions ($0.3 million). The increase in recoveries at the Same-Store Properties was primarily due to operating expense escalations ($0.4 million), electric reimbursements ($0.1 million) and real estate tax escalations ($3.0 million).

Investment and Other Income (in millions)	2009	2008	$ Change	% Change

Equity in net income of unconsolidated joint ventures	$ 13.1	$ 19.4	$ (6.3)	(32.5)%
Investment and preferred equity income	16.9	20.4	(3.5)	(17.2)
Other income	16.3	10.5	5.8	55.2
Total	$ 46.3	$ 50.3	$ (4.0)	(8.0)%

The decrease in equity in net income of unconsolidated joint ventures was primarily due to lower net income contributions from Gramercy ($8.6 million), 388 Greenwich Street ($3.2 million), 1250 Broadway ($1.4 million) and 717 Fifth Avenue ($0.8 million). This was partially offset by higher net income contributions primarily from our investments in 100 Park ($0.6 million), 1515 Broadway ($3.2 million), 16 Court Street ($0.7 million) and Mack-Green ($0.8 million). Occupancy at our joint venture properties was 94.7% at March 31, 2008, 95.0% at December 31, 2008 and 94.6% at March 31, 2009. At March 31, 2009, we estimated that current market rents at our Manhattan and Suburban joint venture properties were approximately 19.8% and 3.8% higher, respectively, than then existing in-place fully escalated rents. Approximately 1.6% of the space leased at our joint venture properties expires during the remainder of 2009.

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Investment and preferred equity income decreased during the current quarter. The weighted average investment balance outstanding and weighted average yield were $689.0 million and 8.5%, respectively, for 2009 compared to $766.6 million and 10.2%, respectively, for 2008. The decrease was primarily due to the sale of structured finance investments in 2008 as well as certain loans being placed on non-accrual status in 2008 and 2009.

The increase in other income was primarily due to increased fee and other income earned in 2009 ($6.3 million). This was partially offset by reduced fee income earned by GKK Manager, a former affiliate of ours and the former external manager of Gramercy (approximately $0.5 million).

Property Operating Expenses (in millions)	2009	2008	$ Change	% Change
Operating expenses	$ 55.5	$ 53.7	$ 1.8	3.4%
Real estate taxes	36.9	32.5	4.4	13.5
Ground rent	8.0	8.2	(0.2)	(2.4)
Total	$ 100.4	$ 94.4	$ 6.0	6.4%
Same-Store Properties	$ 96.9	$ 90.8	$ 6.1	6.7%
Acquisitions	0.8	0.9	(0.1)	(11.1)
Other	2.7	2.7		
Total	$ 100.4	$ 94.4	$ 6.0	6.4%

Same-Store Properties operating expenses increased approximately $1.7 million. There were increases in payroll expenses ($0.2 million), utilities ($1.6 million) and insurance costs ($0.1 million), respectively. This was partially offset by a decrease in repairs and maintenance ($0.2 million).

The increase in real estate taxes was primarily attributable to the Same-Store Properties ($4.4 million) due to higher assessed property values and increased rates.

Other Expenses (in millions)	2009	2008	$ Change	% Change
Interest expense	$ 61.7	$ 77.7	$ (16.0)	(20.6)%
Depreciation and amortization expense	54.8	53.4	1.4	2.6
Loan loss reserves	62.0		62.0	100.0
Marketing, general and administrative expense	17.9	24.5	(6.6)	(26.9)
Total	$ 196.4	$ 155.6	$ 40.8	26.2%

The decrease in interest expense was primarily attributable to lower LIBOR rates in 2009 compared to 2008 as well as the early repurchase of our convertible notes. The weighted average interest rate decreased from 5.64% for the quarter ended March 31, 2008 to 4.29% for the quarter ended March 31, 2009. As a result of the note repurchases and repayments, the weighted average debt balance decreased from $5.8 billion as of March 31, 2008 to $5.5 billion as of March 31, 2009.

Marketing, general and administrative expenses represented 6.8% of total revenues in 2009 compared to 9.7% in 2008. The decrease is primarily due to reduced stock-based compensation costs in 2009.

Liquidity and Capital Resources

We are currently experiencing a global economic downturn and credit crunch. As a result, many financial industry participants including commercial real estate owners, operators, investors and lenders continue to find it extremely difficult to obtain cost-effective debt capital to finance new investment activity or to refinance maturing debt. In the few instances in which debt is available it is at a cost much higher than in the recent past.

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

(1) Cash flow from operations;

(2) Cash on hand;

(3) Borrowings under our 2007 unsecured revolving credit facility;

(4) Other forms of secured or unsecured financing;

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

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

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

We believe that our sources of working capital, specifically our cash flow from operations, borrowings available under our 2007 unsecured revolving credit facility, cash on hand and our ability to access private and public debt and equity capital, are adequate for us to meet our short-term and long-term liquidity requirements for the foreseeable future.

Cash Flows

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

Cash and cash equivalents were $433.7 million and $46.8 million at March 31, 2009 and 2008, respectively, representing an increase of $386.9 million. The increase was a result of the following increases and decreases in cash flows (in thousands):

	Three months ended March 31,		
	2009	2008	Increase (Decrease)
Net cash provided by operating activities	$ 103,161	$ 20,377	$ 82,784
Net cash provided by (used in) investing activities	$ (3,236)	$ 41,892	$ (45,128)
Net cash (used in) provided by financing activities	$ (393,160)	$ (61,440)	$ (331,720)

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 March 31, 2009 our portfolio was 94.8% occupied. Our structured finance and joint venture investments also provide a steady stream of operating cash flow to us.

Cash is used in investing activities to fund acquisitions, redevelopment projects and recurring and nonrecurring capital expenditures. We selectively invest in new projects that enable us to take advantage of our development, leasing, financing and property management skills and invest in existing buildings that meet our investment criteria. During the three months ended March 31, 2009, when compared to the three months ended March 31, 2008, we used cash primarily for the following investing activities (in thousands):

Acquisitions of and additions to real estate	$ 39,031
Escrow cash-capital improvements/acquisition deposits	44,865
Joint venture investments	3,352
Distributions from joint ventures	(6,259)
Proceeds from sales of real estate	(135,779)
Structured finance and other investments	9,662

We generally fund our investment activity through property-level financing, our 2007 unsecured revolving credit facility, senior unsecured notes, construction loans and from time to time we issue common or preferred stock. During the three months ended March 31, 2009, when compared to the three months ended March 31, 2008, we used cash for the following financing activities (in thousands):

Proceeds from our debt obligations	$ (240,949)
Repayments under our debt obligations	(152,869)
Noncontrolling interests, contributions in excess of distributions	(11,332)
Other financing activities	(1,029)
Repurchases of common stock	49,911
Dividends paid	24,548

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Capitalization

As of March 31, 2009, we had 57,258,756 shares of common stock, 2,336,477 units of limited partnership interest in our operating partnership, 6,300,000 shares of our 7.625% Series C cumulative redeemable preferred stock, or Series C preferred stock, and 4,000,000 shares of our 7.875% Series D cumulative redeemable preferred stock, or Series D preferred stock, outstanding.

In March 2007, our board of directors approved a stock repurchase plan under which we can buy up to $300.0 million shares of our common stock. This plan expired on December 31, 2008. As of December 31, 2008, we purchased and settled approximately $300.0 million, or 3.3 million shares of our common stock, at an average price of $90.49 per share.

Rights Plan

We adopted a shareholder rights plan which provides, among other things, that when specified events occur, our shareholders will be entitled to purchase from us a new created series of junior preferred shares, subject to our ownership limit described below. The preferred share purchase rights are triggered by the earlier to occur of (1) ten days after the date of a purchase announcement that a person or group acting in concert has acquired, or obtained the right to acquire, beneficial ownership of 17% or more of our outstanding shares of common stock or (2) ten business days after the commencement of or announcement of an intention to make a tender offer or exchange offer, the consummation of which would result in the acquiring person becoming the beneficial owner of 17% or more of our outstanding common stock. The preferred share purchase rights would cause substantial dilution to a person or group that attempts to acquire us on terms not approved by our board of directors.

Dividend Reinvestment and Stock Purchase Plan

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

During the three months ended March 31, 2009 and 2008, approximately none and 1,000 shares were issued and approximately none and $80,000 of proceeds were received, respectively, from dividend reinvestments and/or stock purchases under the DRIP. DRIP shares may be issued at a discount to the market price.

2003 Long-Term Outperformance Compensation Program

Our board of directors adopted a long-term, seven-year compensation program for certain members of senior management. The program, which measured our performance over a 48-month period (unless terminated earlier) commencing April 1, 2003, provided that holders of our common equity were to achieve a 40% total return during the measurement period over a base share price of $30.07 per share before any restricted stock awards were granted. Plan participants would receive an award of restricted stock in an amount between 8% and 10% of the excess total return over the baseline return. At the end of the four-year measurement period, 40% of the award will vest on the measurement date and 60% of the award will vest ratably over the subsequent three years based on continued employment. Any restricted stock to be issued under the program will be allocated from our 2005 Stock Option and Incentive Plan (as defined below), which was previously approved through a stockholder vote in May 2005. In April 2007, the Compensation Committee determined that under the terms of the 2003 Outperformance Plan, as of March 31, 2007, the performance hurdles had been met and the maximum performance pool of $22,825,000, taking into account forfeitures, was established. In connection with this event, approximately 166,312 shares of restricted stock (as adjusted for forfeitures) were allocated under the 2005 Stock Option and Incentive Plan. These awards are subject to vesting as noted above. We record the expense of the restricted stock award in accordance with SFAS 123-R. The fair value of the award on the date of grant was determined to be $3.2 million. Forty percent of the value of the award will be amortized over four years and the balance will be amortized at 20% per year over five, six and seven years, respectively, such that 20% of year five, 16.67% of year six, and 14.29% of year seven will be recorded in year one. Compensation expense of $29,500 and $58,000 related to this plan was recorded during the three months ended March 31, 2009 and 2008, respectively.

2005 Long-Term Outperformance Compensation Program

In December 2005, the compensation committee of our board of directors approved a long-term incentive compensation program, the 2005 Outperformance Plan. Participants in the 2005 Outperformance Plan will share in a performance pool if our total return to stockholders for the period from December 1, 2005 through November 30, 2008 exceeds a cumulative total return to stockholders of 30% during the measurement period over a base share price of $68.51 per share. The size of the pool was to be 10% of the outperformance amount in excess of the 30% benchmark, subject to a maximum dilution cap equal to the lesser of 3% of our outstanding shares and units of limited partnership interest as of December 1, 2005 or $50.0 million. In the event the potential performance pool reached this dilution cap before November 30, 2008 and remained at that level or higher for 30 consecutive days, the performance period was to end early and the pool would be formed on the last day of such 30 day period. Each participant s award under the 2005 Outperformance Plan would be designated as a specified percentage of the aggregate performance pool to be allocated to him or her assuming the 30% benchmark is achieved. Individual awards would be made in the form of partnership units, or LTIP

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Units, that may ultimately become exchangeable for shares of our common stock or cash, at our election. LTIP Units would be granted prior to the determination of the performance pool; however, they were only to vest upon satisfaction of performance and other thresholds, and were not entitled to distributions until after the performance pool was established. The 2005 Outperformance Plan provides that if the pool was established, each participant would also be entitled to the distributions that would have been paid on the number of LTIP Units earned, had they been issued at the beginning of the performance period. Those distributions were to be paid in the form of additional LTIP Units.

After the performance pool was established, the earned LTIP Units are to receive regular quarterly distributions on a per unit basis equal to the dividends per share paid on our common stock, whether or not they are vested. Any LTIP Units not earned upon the establishment of the performance pool were to be automatically forfeited, and the LTIP Units that are earned are subject to time-based vesting, with one-third of the LTIP Units earned vesting on November 30, 2008 and each of the first two anniversaries thereafter based on continued employment. On June 14, 2006, the Compensation Committee determined that under the terms of the 2005 Outperformance Plan, as of June 8, 2006, the performance period had accelerated and the maximum performance pool of $49,250,000, taking into account forfeitures, was established. Individual awards under the 2005 Outperformance Plan are in the form of partnership units, or LTIP Units, in our operating partnership that, subject to certain conditions, are convertible into shares of the Company s common stock or cash, at our election. The total number of LTIP Units earned by all participants as a result of the establishment of the performance pool was 490,475 and are subject to time-based vesting.

The cost of the 2005 Outperformance Plan (approximately $8.0 million, subject to adjustment for forfeitures) will continue to be amortized into earnings through the final vesting period in accordance with SFAS 123-R. We recorded approximately $0.6 million and $0.5 million of compensation expense during the three months ended March 31, 2009 and 2008, respectively, in connection with the 2005 Outperformance Plan.

2006 Long-Term Outperformance Compensation Program

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

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

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The cost of the 2006 Outperformance Plan (approximately $9.6 million, subject to adjustment for forfeitures) will be amortized into earnings through the final vesting period in accordance with SFAS 123-R. We recorded approximately $96,000 and $0.6 million of compensation expense during the three months ended March 31, 2009 and 2008, respectively, in connection with the 2006 Outperformance Plan. During the fourth quarter of 2008, we and certain of our employees, including our executive officers, mutually agreed to cancel a portion of the 2006 Outperformance Plan.

Deferred Stock Compensation Plan for Directors

Under our Independent Director s Deferral Program, which commenced July 2004, our non-employee directors may elect to defer up to 100% of their annual retainer fee, chairman fees and meeting fees. Unless otherwise elected by a participant, fees deferred under the program shall be credited in the form of phantom stock units. The phantom stock units are convertible into an equal number of shares of common stock upon such 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 three months ended March 31, 2009, approximately 15,078 phantom stock units were earned. As of March 31, 2009, there were approximately 37,591 phantom stock units outstanding.

Employee Stock Purchase Plan

On September 18, 2007, our board of directors adopted, subject to stockholder approval, the 2008 Employee Stock Purchase Plan, or ESPP, to encourage our employees to increase their efforts to make our business more successful by providing equity-based incentives to eligible employees. The ESPP is intended to qualify as an employee stock purchase plan under Section 423 of the Internal Revenue Code of 1986, as amended, and has been adopted by the board to enable our eligible employees to purchase our shares of common stock through payroll deductions. The ESPP became effective on January 1, 2008 with a maximum of 500,000 shares of the common stock available for issuance, subject to adjustment upon a merger, reorganization, stock split or other similar corporate change. We filed a registration statement on Form S-8 with the Securities and Exchange Commission with respect to the ESPP. The common stock will be offered for purchase through a series of successive offering periods. Each offering period will be three months in duration and will begin on the first day of each calendar quarter, with the first offering period having commenced on January 1, 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 March 31, 2009, approximately 8,476 shares of our common stock had been issued under the ESPP.

Amended and Restated 2005 Stock Option and Incentive Plan

Subject to adjustments upon certain corporate transactions or events, up to a maximum of 6,000,000 shares, or the Fungible Pool Limit, may be granted as options, restricted stock, phantom shares, dividend equivalent rights and other equity-based awards under the Amended and Restated 2005 Stock Option and Incentive Plan, or the 2005 Plan. At March 31, 2009, approximately 3.9 million shares of our common stock, calculated on a weighted basis, were available for issuance under the 2005 Plan, or 5.6 million shares if all shares available under the 2005 Plan were issued as five-year options.

Market Capitalization

At March 31, 2009, borrowings under our mortgage loans, 2007 unsecured revolving credit facility, senior unsecured notes and trust preferred securities (including our share of joint venture debt of approximately $1.9 billion) represented 88.8% of our combined market capitalization of approximately $8.1 billion (based on a common stock price of $10.80 per share, the closing price of our common stock on the New York Stock Exchange on March 31, 2009). 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. This ratio has increased significantly compared to 2008 primarily due to the significant decrease in our stock price in 2008 and 2009.

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Indebtedness

The table below summarizes our consolidated mortgage debt, 2007 unsecured revolving credit facility, senior unsecured notes and trust preferred securities outstanding at March 31, 2009 and December 31, 2008, respectively (dollars in thousands):

Debt Summary:	March 31, 2009	December 31, 2008
Balance		
Fixed rate	**$ 3,562,356**	$ 3,953,268
Variable rate hedged	**60,000**	60,000
Total fixed rate	**3,622,356**	4,013,268
Variable rate	**1,340,865**	1,427,677
Variable rate supporting variable rate assets	**262,994**	175,428
Total variable rate	**1,603,859**	1,603,105
Total	**$ 5,226,215**	$ 5,616,373
Percent of Total Debt:		
Total fixed rate	**69.3%**	71.5%
Variable rate	**30.7%**	28.5%
Total	**100.0%**	100.0%
Effective Interest Rate for the Quarter:		
Fixed rate	**5.45%**	5.37%
Variable rate	**1.63%**	4.05%
Effective interest rate	**4.28%**	5.24%

The variable rate debt shown above bears interest at an interest rate based on 30-day LIBOR (0.50% and 2.70% at March 31, 2009 and 2008, respectively). Our consolidated debt at March 31, 2009 had a weighted average term to maturity of approximately 6.7 years.

Certain of our structured finance investments, totaling approximately $263.0 million, are variable rate investments which mitigate our exposure to interest rate changes on our unhedged variable rate debt at March 31, 2009.

Mortgage Financing

As of March 31, 2009, our total mortgage debt (excluding our share of joint venture debt of approximately $1.9 billion) consisted of approximately $2.3 billion of fixed rate debt, including hedged variable rate debt, with an effective weighted average interest rate of approximately 5.95% and $274.8 million of variable rate debt with an effective weighted average interest rate of approximately 2.84%.

Corporate Indebtedness

2007 Unsecured Revolving Credit Facility

We have a $1.5 billion unsecured revolving credit facility. The 2007 unsecured revolving credit facility bears interest at a spread ranging from 70 basis points to 110 basis points over the 30-day LIBOR which, based on our leverage ratio, is currently 90 basis points. This facility matures in June 2011 and has a one-year as-of-right extension option. The 2007 unsecured revolving credit facility also requires a 12.5 to 20 basis point fee on the unused balance payable annually in arrears. The 2007 unsecured revolving credit facility had approximately $1.4 billion outstanding at March 31, 2009. Availability under the 2007 unsecured revolving credit facility was further reduced at March 31, 2009 by the issuance of approximately $21.1 million in letters of credit and by a defaulted lender s unfunded committed amount of approximately $33.4 million. The 2007 unsecured revolving credit facility includes certain restrictions and covenants (see restrictive covenants below).

Term Loans

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

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

Senior Unsecured Notes

The following table sets forth our senior unsecured notes and other related disclosures by scheduled maturity date as of March 31, 2009 (in thousands):

Issuance		Accreted Balance	Coupon Rate(5)	Term (in Years)	Maturity
January 22, 2004 (1) (2)	$	138,755	5.15%	7	January 15, 2011
August 13, 2004 (1)		150,000	5.875%	10	August 15, 2014
March 31, 2006 (1)		274,700	6.00%	10	March 31, 2016
June 27, 2005 (1) (3)		180,515	4.00%	20	June 15, 2025
March 26, 2007 (4)		407,586	3.00%	20	March 30, 2027
	$	**1,151,556**			

(1) Assumed as part of the Reckson Merger.

(2) During the three months ended March 31, 2009, we repurchased approximately $11.2 million of these notes and realized net gains on early extinguishment of debt of approximately $1.9 million.

(3) Exchangeable senior debentures which are callable after June 17, 2010 at 100% of par. In addition, the debentures can be put to us, at the option of the holder at par plus accrued and unpaid interest, on June 15, 2010, 2015 and 2020 and upon the occurrence of certain change of control transactions. As a result of the Reckson Merger, the adjusted exchange rate for the debentures is 7.7461 shares of our common stock per $1,000 of principal amount of debentures and the adjusted reference dividend for the debentures is $1.3491.

(4) In March 2007, we issued $750.0 million of these convertible 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 is at a 25.0% premium to the last reported sale price of our common stock on March 20, 2007, or $173.30. The initial exchange rate is subject to adjustment under certain circumstances. The notes are senior unsecured obligations of our operating partnership and are exchangeable upon the occurrence of specified events, and during the period beginning on the twenty-second scheduled trading day prior to the maturity date and ending on the second business day prior to the maturity date, into cash or a combination of cash and shares of our common stock, if any, at our option. The notes are redeemable, at our option, on and after April 15, 2012. We may be required to repurchase the notes on March 30, 2012, 2017 and 2022, and upon the occurrence of certain designated events. The net proceeds from the offering were approximately $736.0 million, after deducting estimated fees and expenses. The proceeds of the offering were used to repay certain of our existing indebtedness, make investments in additional properties, and make open market purchases of our common stock and for general corporate purposes. During the three months ended March 31, 2009, we repurchased approximately $152.8 million of these bonds and realized net gains on early extinguishment of debt of approximately $45.8 million.

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

In March 2009, the $200.0 million, 7.75% unsecured notes scheduled to mature in March 2009, assumed as part of the Reckson Merger, were redeemed at par.

Junior Subordinate Deferrable Interest Debentures

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

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Restrictive Covenants

The terms of our 2007 unsecured revolving credit facility and senior unsecured notes include certain restrictions and covenants which limit, among other things, the payment of dividends (as discussed below), the incurrence of additional indebtedness, the incurrence of liens and the disposition of assets, and which require compliance with financial ratios relating to the minimum amount of tangible net worth, the minimum amount of debt service coverage and fixed charge coverage, the maximum amount of unsecured indebtedness, the minimum amount of unencumbered property debt service coverage and certain investment limitations. The dividend restriction referred to above provides that, except to enable us to continue to qualify as a REIT for Federal income tax purposes, we will not during any four consecutive fiscal quarters make distributions with respect to common stock or other equity interests in an aggregate amount in excess of 95% of funds from operations for such period, subject to certain other adjustments. As of March 31, 2009 and December 31, 2008, we were in compliance with all such covenants.

Market Rate Risk

We are exposed to changes in interest rates primarily from our floating rate borrowing arrangements. We use interest rate derivative instruments to manage exposure to interest rate changes. A hypothetical 100 basis point increase in interest rates along the entire interest rate curve for 2009 would increase our annual interest cost by approximately $15.3 million and would increase our share of joint venture annual interest cost by approximately $7.4 million, respectively.

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

Approximately $3.6 billion of our long-term debt bears interest at fixed rates, and therefore the fair value of these instruments is affected by changes in the market interest rates. The interest rate on our variable rate debt and joint venture debt as of March 31, 2009 ranged from LIBOR plus 62 basis points to LIBOR plus 275 basis points.

Contractual Obligations

Combined aggregate principal maturities of mortgages and notes payable, 2007 unsecured revolving credit facility, senior unsecured notes, trust preferred securities, our share of joint venture debt, including as-of-right extension options, estimated interest expense, and our obligations under our capital lease and ground leases, as of March 31, 2009 are as follows (in thousands):

	2009	2010	2011	2012	2013	Thereafter	Total
Property Mortgages	$ 21,270	$ 134,252	$ 267,311	$ 159,538	$ 451,272	$ 1,551,949	$ 2,585,592
Revolving Credit Facility				1,389,067			1,389,067
Trust Preferred Securities						100,000	100,000
Senior Unsecured Notes		180,515	138,755	407,586		424,700	1,151,556
Capital lease	1,062	1,451	1,555	1,555	1,555	47,206	54,384
Ground leases	26,934	32,127	30,003	29,253	29,252	625,959	773,528
Estimated interest expense	177,740	224,047	189,142	154,500	131,294	408,058	1,284,781
Joint venture debt	56,057	460,103	172,161	34,192	1,677	1,211,270	1,935,460
Total	$ 283,063	$ 1,032,495	$ 798,927	$ 2,175,691	$ 615,050	$ 4,369,142	$ 9,274,368

Off-Balance Sheet Arrangements

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

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Capital Expenditures

We estimate that for the nine months ending December 31, 2009, we will incur approximately $76.4 million of capital expenditures (including tenant improvements and leasing commissions) on existing wholly-owned properties and our share of capital expenditures at our joint venture properties will be approximately $17.4 million. We expect to fund these capital expenditures with operating cash flow, additional property level mortgage financings, and cash on hand. Future property acquisitions may require substantial capital investments for refurbishment and leasing costs. We expect that these financing requirements will be met in a similar fashion. We believe that we will have sufficient resources to satisfy our capital needs during the next 12-month period. Thereafter, we expect that our capital needs will be met through a combination of cash on hand, net cash provided by operations, borrowings, potential asset sales or additional equity or debt issuances.

Dividends

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

To maintain our qualification as a REIT, we must pay annual dividends to our stockholders of at least 90% of our REIT taxable income, determined before taking into consideration the dividends paid deduction and net capital gains. We intend to continue to pay regular quarterly dividends to our stockholders on an annual basis. Based on our current annual dividend rate of $1.50 per share, we would pay approximately $85.9 million in dividends. Before we pay any dividend, whether for Federal income tax purposes or otherwise, which would only be paid out of available cash to the extent permitted under our unsecured and secured credit facilities, and our term loans, we must first meet both our operating requirements and scheduled debt service on our mortgages and loans payable.

Related Party Transactions

Cleaning/ Security/ Messenger and Restoration Services

Through Alliance Building Services, or Alliance, First Quality Maintenance, L.P., or First Quality, provides cleaning, extermination and related services, Classic Security LLC provides security services, Bright Star Couriers LLC provides messenger services, and Onyx Restoration Works provides restoration services with respect to certain properties owned by us. Alliance is owned by Gary Green, a son of Stephen L. Green, the chairman of our board of directors. 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. We paid Alliance approximately $3.4 million and $3.6 million for the three months ended March 31, 2009 and 2008, respectively, for these services (excluding services provided directly to tenants).

Leases

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

Management Fees

S.L. Green Management Corp. 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 $95,000 and $92,000 for the three months ended March 31, 2009 and 2008, respectively.

Brokerage Services

Sonnenblick-Goldman Company, or Sonnenblick, a nationally recognized real estate investment banking firm, provided mortgage brokerage services to us. Mr. Morton Holliday, the father of Mr. Marc Holliday, was a Managing Director of Sonnenblick at the time of the financings. In 2008, our 1250 Broadway joint venture paid approximately $1.7 million to Sonnenblick in connection with the sale of 1250 Broadway.

Gramercy Capital Corp.

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

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Insurance

We maintain all-risk property and rental value coverage (including coverage regarding the perils of flood, earthquake and terrorism) within two property insurance portfolios and liability insurance. The first property portfolio maintains a blanket limit of $600.0 million per occurrence for the majority of the New York City properties in our portfolio with a sub-limit of $450.0 million for acts of terrorism. The second portfolio maintains a limit of $600.0 million per occurrence, including terrorism, for a few New York City properties and the majority of the Suburban properties. Both property policies expire on December 31, 2009. Additional coverage may be purchased on a stand-alone basis for certain assets. The liability policies cover all our properties and provide limits of $200.0 million per property. The liability policies expire on October 31, 2009.

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 and D&O coverage.

- Terrorism: Belmont acts as a direct property insurer with respect to a portion of our terrorism coverage for the New York City properties. Effective December 31, 2008, Belmont increased its terrorism coverage from $50 million to $250 million in an upper layer. In addition Belmont purchased reinsurance to reinsure the retained insurable risk not otherwise covered under Terrorism Risk Insurance Program Reauthorization and Extension Act of 2007, or TRIPRA, as detailed below.

- NBCR: Belmont acts as a direct insurer of NBCR coverage up to $250 million on the entire property portfolio.

- General Liability: Belmont insures a deductible on the general liability insurance with a $250,000 deductible per occurrence and a $2.4 million annual aggregate stop loss limit. We have secured an excess insurer to protect against catastrophic liability losses above the $250,000 deductible per occurrence and a stop loss if aggregate claims exceed $2.4 million. Belmont has retained a third party administrator to manage all claims within the deductible and we anticipate that direct management of liability claims will improve loss experience and ultimately lower the cost of liability insurance in future years. In addition, we have an umbrella liability policy of $200.0 million.

- D&O: Effective August 10, 2008, a directors and officers liability policy was added by Belmont to provide reimbursement for SEC claims reducing the deductible from $2,500,000 to $1,000,000.

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.

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

We have a 45% interest in the property at 1221 Avenue of the Americas, where we participate with The Rockefeller Group Inc., which carries a blanket policy providing $1.0 billion of all-risk property insurance, including terrorism coverage, and a 49.9% interest in the property at 100 Park Avenue, where we participate with Prudential, which carries a blanket policy of $500.0 million of all-risk property insurance, including terrorism coverage. We own One Madison Avenue, which is under a triple net lease with insurance provided by the tenant, Credit Suisse Securities (USA) LLC, or CS. We monitor the coverage provided by CS to make sure that our asset is adequately protected. We have a 50.6% interest in the property at 388 and 390 Greenwich Street, where we participate with SITQ, which is leased on a triple net basis to Citigroup, N.A., which provides insurance coverage directly. We monitor all triple net leases to ensure that tenants are providing adequate coverage. 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.

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Funds from Operations

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

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

FFO for the three months ended March 31, 2009 and 2008 is as follows (in thousands):

	Three Months Ended March 31,	
	2009	**2008**
Net income attributable to SL Green common stockholders	**$ 32,768**	$ 121,094
Add:		
Depreciation and amortization	**54,798**	53,434
Discontinued operations depreciation adjustments		2,504
Unconsolidated joint ventures depreciation and noncontrolling interest adjustments	**11,265**	8,175
Net income attributable to noncontrolling interests	**4,797**	8,394
Loss on equity investment in marketable securities	**807**	
Less:		
Gain on sale of discontinued operations	**(6,572)**	(110,232)
Equity in net gain on sale of joint venture property/ real estate	**(9,541)**	
Depreciation on non-rental real estate assets	**(204)**	(223)
Funds from Operations	**$ 88,118**	$ 83,146
Cash flows provided by operating activities	**$ 103,161**	$ 20,377
Cash flows (used in) provided by investing activities	**$ (3,236)**	$ 41,892
Cash flows used in financing activities	**$ (393,160)**	$ (61,440)

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.

Recently Issued Accounting Pronouncements

The Recently Issued Accounting Pronouncements are discussed in Note 2, Significant Accounting Policies-Recently Issued Accounting Pronouncements in the accompanying financial statements.

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

Forward-Looking Statement

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, Westchester County, Connecticut, Long Island and New Jersey office markets, business strategies, expansion and growth of our operations and other similar matters, are forward-looking statements. These forward-looking statements are based on certain assumptions and analyses made by us in light of our experience and our perception of historical trends, current conditions, expected future developments and other factors we believe are appropriate.

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

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

- the effect of the credit crisis on general economic, business and financial conditions, and on the New York Metro 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 structured finance 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 Metro 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 our filings with the Securities and Exchange Commission. We undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of future events, new information or otherwise.

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ITEM 3. Quantitative and Qualitative Disclosure About Market Risk

For quantitative and qualitative disclosures about market risk, see item 7A, Quantitative and Qualitative Disclosures About Market Risk, of our Annual Report on Form 10-K for the year ended December 31, 2008. Our exposures to market risk have not changed materially since December 31, 2008.

ITEM 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

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

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

Changes in Internal Control over Financial Reporting

There have been no significant changes in our internal control over financial reporting during the quarter ended March 31, 2009, that has materially affected, or is reasonably likely to material affect, our internal control over financial reporting.

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PART II OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

As of March 31, 2009, we were not involved in any material litigation nor, to management s knowledge, is any material litigation threatened against us or our portfolio other than routine litigation arising in the ordinary course of business or litigation that is adequately covered by insurance.

ITEM 1A. RISK FACTORS

There have been no material changes to the risk factors disclosed in Item 1A-Risk Factors in our Annual Report on Form 10-K for the year ended December 31, 2008.

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

None

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None

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

None

ITEM 5. OTHER INFORMATION

None

ITEM 6. EXHIBITS

(a) Exhibits:

3.1 Amendment No.1 to the Second Amended and Restated Bylaws of SL Green Realty Corp., incorporated by reference to the Company s Form 8-K dated March 13, 2009, filed with the Commission on March 13, 2009.

31.1 Certification by the Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 filed herewith.

31.2 Certification by the Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 filed herewith.

32.1 Certification pursuant to 18 U.S.C. section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 filed herewith.

32.2 Certification pursuant to 18 U.S.C. section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 filed herewith.

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SIGNATURES

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

SL GREEN REALTY CORP.

By: /s/ Gregory F. Hughes

Gregory F. Hughes
Chief Operating Officer and Chief Financial Officer

Date: May 8, 2009