

SL GREEN REALTY CORP  
Form 10-Q  
November 10, 2014

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

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FORM 10-Q

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

For the quarterly period ended September 30, 2014

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.)

Commission File Number: 33-167793-02 (SL Green Operating Partnership, L.P.)

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SL GREEN REALTY CORP.  
SL GREEN OPERATING PARTNERSHIP, L.P.  
(Exact name of registrant as specified in its charter)

SL Green Realty Corp.	Maryland	13-3956775
SL Green Operating Partnership, L.P.	Delaware	13-3960938
	(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)

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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.

SL Green Realty Corp. YES  NO  SL Green Operating Partnership, L.P. YES  NO

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).

SL Green Realty Corp. YES  NO  SL Green Operating Partnership, L.P. YES  NO

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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):

SL Green Realty Corp.

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

SL Green Operating Partnership, L.P.

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

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

SL Green Realty Corp. YES  NO  SL Green Operating Partnership, L.P. YES  NO

The number of shares outstanding of SL Green Realty Corp.'s common stock, \$0.01 par value, was 96,516,521 as of November 3, 2014. As of November 3, 2014, 876,199 common units of limited partnership interest of SL Green Operating Partnership, L.P. were held by non-affiliates. There is no established trading market for such units.

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## EXPLANATORY NOTE

This report combines the quarterly reports on Form 10-Q for the period ended September 30, 2014 of SL Green Realty Corp. and SL Green Operating Partnership, L.P. Unless stated otherwise or the context otherwise requires, references to "SL Green Realty Corp.," the "Company" or "SL Green" mean SL Green Realty Corp. and its consolidated subsidiaries; and references to "SL Green Operating Partnership, L.P.," the "Operating Partnership" or "SLGOP" mean SL Green Operating Partnership, L.P. and its consolidated subsidiaries. The terms "we," "our" and "us" mean the Company and all the entities owned or controlled by the Company, including the Operating Partnership. The Company is a Maryland corporation which operates as a self-administered and self-managed real estate investment trust, or REIT, and is the sole managing general partner of the Operating Partnership. As a general partner of the Operating Partnership, the Company has full, exclusive and complete responsibility and discretion in the day-to-day management and control of the Operating Partnership.

The Company owns 96.25% of the outstanding general and limited partnership interest in the Operating Partnership. The Company also owns 9,200,000 Series I Preferred Units of the Operating Partnership. As of September 30, 2014, noncontrolling investors held, in aggregate, a 3.75% limited partnership interest in the Operating Partnership. We refer to these interests as the noncontrolling interests in the Operating Partnership.

The Company and the Operating Partnership are managed and operated as one entity. The financial results of the Operating Partnership are consolidated into the financial statements of the Company. The Company has no significant assets other than its investment in the Operating Partnership. Substantially all of our assets are held by, and our operations are conducted through, the Operating Partnership. Therefore, the assets and liabilities of the Company and the Operating Partnership are substantially the same.

Noncontrolling interests in the Operating Partnership, stockholders' equity of the Company and partners' capital of the Operating Partnership are the main areas of difference between the consolidated financial statements of the Company and those of the Operating Partnership. The common limited partnership interests in the Operating Partnership not owned by the Company are accounted for as partners' capital in the Operating Partnership's consolidated financial statements and as noncontrolling interests, within mezzanine equity, in the Company's consolidated financial statements.

We believe combining the quarterly reports on Form 10-Q of the Company and the Operating Partnership into this single report results in the following benefits:

- Combined reports enhance investors' understanding of the Company and the Operating Partnership by enabling investors to view the business as a whole in the same manner as management views and operates the business;
- Combined reports eliminate duplicative disclosure and provides a more streamlined and readable presentation since a substantial portion of the Company's disclosure applies to both the Company and the Operating Partnership; and
- Combined reports create time and cost efficiencies through the preparation of one combined report instead of two separate reports.

To help investors understand the significant differences between the Company and the Operating Partnership, this report presents the following separate sections for each of the Company and the Operating Partnership:

• consolidated financial statements;

• the following notes to the consolidated financial statements:

Note 11, Noncontrolling Interest on the Company's Consolidated Financial Statements;

Note 12, Stockholders' Equity of the Company;

Note 13, Partners' Capital of the Operating Partnership;

Note 15, Accumulated Other Comprehensive Loss of the Company; and

Note 16, Accumulated Other Comprehensive Loss of the Operating Partnership.

This report also includes separate Part I, Item 4. Controls and Procedures sections and separate Exhibit 31 and 32 certifications for each of the Company and the Operating Partnership, respectively, in order to establish that the Chief Executive Officer and the Chief Financial Officer of the Company, in both their capacity as the principal executive officer and principal financial officer of the Company and the principal executive officer and principal financial officer of the general partner of the Operating Partnership, have made the requisite certifications and that the

Company and the Operating Partnership are compliant with Rule 13a-15 and Rule 15d-15 of the Securities Exchange Act of 1934, as amended.

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SL GREEN REALTY CORP. AND SL GREEN OPERATING PARTNERSHIP, L.P.  
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## PART I. FINANCIAL INFORMATION

## ITEM 1. Financial Statements

SL Green Realty Corp.

Consolidated Balance Sheets

(in thousands, except per share data)

	September 30, 2014 (unaudited)	December 31, 2013
Assets		
Commercial real estate properties, at cost:		
Land and land interests	\$3,833,305	\$3,032,526
Building and improvements	8,679,637	7,884,663
Building leasehold and improvements	1,405,255	1,366,281
Properties under capital lease	27,445	50,310
	13,945,642	12,333,780
Less: accumulated depreciation	(1,826,027	) (1,646,240
	12,119,615	10,687,540
Assets held for sale	753,457	—
Cash and cash equivalents	253,520	206,692
Restricted cash	159,303	142,051
Investment in marketable securities	39,293	32,049
Tenant and other receivables, net of allowance of \$20,719 and \$17,325 in 2014 and 2013, respectively	64,184	60,393
Related party receivables	13,262	8,530
Deferred rents receivable, net of allowance of \$27,185 and \$30,333 in 2014 and 2013, respectively	364,284	386,508
Debt and preferred equity investments, net of discounts and deferred origination fees of \$19,801 and \$18,593 in 2014 and 2013, respectively, and allowance of \$1,000 in 2013	1,432,951	1,304,839
Investments in unconsolidated joint ventures	996,842	1,113,218
Deferred costs, net	310,860	267,058
Other assets	729,538	750,123
Total assets	\$17,237,109	\$14,959,001
Liabilities		
Mortgages and other loans payable	\$5,890,782	\$4,860,578
Revolving credit facility	244,000	220,000
Term loan and senior unsecured notes	2,054,168	1,739,330
Accrued interest payable and other liabilities	127,811	114,622
Accounts payable and accrued expenses	183,001	145,889
Deferred revenue	215,527	263,261
Capitalized lease obligations	20,728	47,671
Deferred land leases payable	1,129	22,185
Dividend and distributions payable	53,571	52,255
Security deposits	66,659	61,308
Liabilities related to assets held for sale	461,891	—
Junior subordinated deferrable interest debentures held by trusts that issued trust preferred securities	100,000	100,000
Total liabilities	9,419,267	7,627,099

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Commitments and contingencies	—	—
Noncontrolling interests in the Operating Partnership	381,274	265,476
Preferred Units	73,115	49,550

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SL Green Realty Corp.

Consolidated Balance Sheets (cont.)

(in thousands, except per share data)

	September 30, 2014 (unaudited)	December 31, 2013
Equity		
SL Green stockholders' equity:		
Series I Preferred Stock, \$0.01 par value, \$25.00 liquidation preference, 9,200 issued and outstanding at both September 30, 2014 and December 31, 2013	221,932	221,932
Common stock, \$0.01 par value, 160,000 shares authorized and 99,547 and 98,563 issued and outstanding at September 30, 2014 and December 31, 2013, respectively (including 3,602 and 3,570 shares held in Treasury at September 30, 2014 and December 31, 2013, respectively)	996	986
Additional paid-in-capital	5,130,858	5,015,904
Treasury stock at cost	(320,222	) (317,356 )
Accumulated other comprehensive loss	(2,896	) (15,211 )
Retained earnings	1,813,956	1,619,150
Total SL Green stockholders' equity	6,844,624	6,525,405
Noncontrolling interests in other partnerships	518,829	491,471
Total equity	7,363,453	7,016,876
Total liabilities and equity	\$17,237,109	\$14,959,001

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



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SL Green Realty Corp.

Consolidated Statements of Income

(unaudited, in thousands, except per share data)

	Three Months Ended September		Nine Months Ended September	
	30,		30,	
	2014	2013	2014	2013
Revenues				
Rental revenue, net	\$291,293	\$242,439	\$826,877	\$741,022
Escalation and reimbursement	43,826	42,026	120,209	114,850
Investment income	43,969	44,448	137,767	143,887
Other income	11,186	9,869	48,498	20,855
Total revenues	390,274	338,782	1,133,351	1,020,614
Expenses				
Operating expenses, including \$5,104 and \$13,183 (2014) and \$4,698 and \$12,858 (2013) of related party expenses	72,111	72,784	211,118	205,921
Real estate taxes	55,548	51,529	159,702	149,857
Ground rent	8,088	7,930	24,161	23,988
Interest expense, net of interest income	82,376	78,226	236,424	232,862
Amortization of deferred financing costs	6,679	4,121	15,737	12,404
Depreciation and amortization	94,443	84,162	274,337	238,666
Transaction related costs, net of recoveries	2,383	(2,368)	6,554	717
Marketing, general and administrative	22,649	20,869	69,778	63,450
Total expenses	344,277	317,253	997,811	927,865
Income from continuing operations before equity in net income from unconsolidated joint ventures, equity in net gain (loss) on sale of interest in unconsolidated joint venture/real estate, loss on sale of investment in marketable securities, purchase price fair value adjustment and loss on early extinguishment of debt	45,997	21,529	135,540	92,749
Equity in net income from unconsolidated joint ventures	6,034	2,939	20,781	4,251
Equity in net gain (loss) on sale of interest in unconsolidated joint venture/real estate	16,496	(354)	122,580	(3,937)
Loss on sale of investment in marketable securities	—	—	—	(65)
Purchase price fair value adjustment	(4,000)	—	67,446	(2,305)
Loss on early extinguishment of debt	(24,475)	—	(25,500)	(18,523)
Income from continuing operations	40,052	24,114	320,847	72,170
Net income from discontinued operations	4,035	7,435	15,449	19,851
Gain on sale of discontinued operations	29,507	13,787	144,242	14,900
Net income	73,594	45,336	480,538	106,921
Net income attributable to noncontrolling interests:				
Noncontrolling interests in the Operating Partnership	(2,636)	(1,110)	(16,010)	(1,909)
Noncontrolling interests in other partnerships	(1,712)	(2,901)	(5,045)	(8,806)
Preferred units distribution	(820)	(562)	(1,950)	(1,692)
Net income attributable to SL Green	68,426	40,763	457,533	94,514
Preferred stock redemption costs	—	—	—	(12,160)

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Perpetual preferred stock dividends	(3,738	) (3,738	) (11,214	) (18,144	)
Net income attributable to SL Green common stockholders	\$64,688	\$37,025	\$446,319	\$64,210	
Amounts attributable to SL Green common stockholders:					
Income from continuing operations	\$20,312	\$16,772	\$108,710	\$36,518	
Purchase price fair value adjustment	(3,856	) —	65,111	(2,239	)
Equity in net gain (loss) on sale of interest in unconsolidated joint venture/real estate	15,901	(344	) 118,336	(3,824	)
Net income from discontinued operations	3,889	7,216	14,914	19,282	
Gain on sale of discontinued operations	28,442	13,381	139,248	14,473	
Net income attributable to SL Green common stockholders	\$64,688	\$37,025	\$446,319	\$64,210	

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SL Green Realty Corp.

Consolidated Statements of Income (cont.)

(unaudited, in thousands, except per share data)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2014	2013	2014	2013
Basic earnings per share:				
Income from continuing operations before gains (loss) on sale and discontinued operations	\$0.17	\$0.18	\$1.82	\$0.37
Equity in net gain (loss) on sale of interest in unconsolidated joint venture/real estate	0.17	—	1.24	(0.04 )
Net income from discontinued operations	0.04	0.07	0.16	0.21
Gain on sale of discontinued operations	0.30	0.15	1.46	0.16
Net income attributable to SL Green common stockholders	\$0.68	\$0.40	\$4.68	\$0.70
Diluted earnings per share:				
Income from continuing operations before gains (loss) on sale and discontinued operations	\$0.17	\$0.18	\$1.82	\$0.37
Equity in net gain (loss) on sale of interest in unconsolidated joint venture/real estate	0.17	—	1.23	(0.04 )
Net income from discontinued operations	0.04	0.07	0.16	0.21
Gain on sale of discontinued operations	0.30	0.15	1.45	0.16
Net income attributable to SL Green common stockholders	\$0.68	\$0.40	\$4.66	\$0.70
Dividends per share	\$0.50	\$0.33	\$1.50	\$0.99
Basic weighted average common shares outstanding	95,734	91,988	95,437	91,684
Diluted weighted average common shares and common share equivalents outstanding	99,706	95,016	99,322	94,631

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

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SL Green Realty Corp.  
 Consolidated Statements of Comprehensive Income  
 (unaudited, in thousands)

	Three Months Ended September		Nine Months Ended September	
	30,		30,	
	2014	2013	2014	2013
Net income	\$73,594	\$45,336	\$480,538	\$106,921
Other comprehensive income:				
Change in net unrealized gain (loss) on derivative instruments, including SL Green's share of joint venture net unrealized gain (loss) on derivative instruments	3,919	(1,165	) 11,380	10,522
Change in unrealized (loss) gain on marketable securities	(506	) 513	1,282	306
Other comprehensive income (loss)	3,413	(652	) 12,662	10,828
Comprehensive income	77,007	44,684	493,200	117,749
Net income attributable to noncontrolling interests	(5,168	) (4,573	) (23,005	) (12,407
Other comprehensive (income) loss attributable to noncontrolling interests	(113	) 25	(347	) (490
Comprehensive income attributable to SL Green	\$71,726	\$40,136	\$469,848	\$104,852

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

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SL Green Realty Corp.

Consolidated Statement of Equity

(unaudited, in thousands, except per share data)

	SL Green Realty Corp. Stockholders					Accumulated		Noncontrolling Interests	Total
	Series I Preferred Stock	Number of Shares	Par Value	Additional Paid-In Capital	Treasury Stock	Other Comprehensive Income (Loss)	Retained Earnings		
Balance at December 31, 2013	\$221,932	94,993	\$986	\$5,015,904	\$(317,356)	\$(15,211)	\$1,619,150	\$491,471	\$7,016,876
Net income							457,533	5,045	462,578
Other comprehensive income						12,315			12,315
Preferred dividends							(11,214)		(11,214)
DRIP proceeds				40					40
Conversion of units of the Operating Partnership to common stock		264	3	26,389					26,392
Reallocation of noncontrolling interest in the Operating Partnership							(108,453)		(108,453)
Deferred compensation plan and stock award, net		4	—	1,503	(2,866)				(1,363)
Amortization of deferred compensation plan				23,822					23,822
Issuance of common stock		394	4	42,694					42,698
Proceeds from stock options exercised		290	3	20,506					20,509
Contributions to consolidated joint venture interests								28,058	28,058
								(5,745)	(5,745)

Cash distributions to noncontrolling interests										
Cash distributions declared (\$1.50 per common share, none of which represented a return of capital for federal income tax purposes)						(143,060 )			(143,060 )	
Balance at September 30, 2014	\$221,932	95,945	\$996	\$5,130,858	\$(320,222)	\$(2,896 )	\$1,813,956	\$518,829	\$7,363,453	

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

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SL Green Realty Corp.

Consolidated Statements of Cash Flows

(unaudited, in thousands, except per share data)

	Nine Months Ended September 30,	
	2014	2013
Operating Activities		
Net income	\$480,538	\$106,921
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	295,877	264,833
Equity in net income from unconsolidated joint ventures	(20,781	) (4,251
Distributions of cumulative earnings from unconsolidated joint ventures	23,065	21,723
Equity in net (gain) loss on sale of interest in unconsolidated joint venture interest/real estate	(122,580	) 3,937
Purchase price fair value adjustment	(71,446	) 2,305
Depreciable real estate reserves	—	2,150
Gain on sale of discontinued operations	(144,242	) (14,900
Loss on early extinguishment of debt	25,500	10,968
Deferred rents receivable	(43,736	) (44,021
Other non-cash adjustments	(13,121	) (31,732
Changes in operating assets and liabilities:		
Restricted cash—operations	(7,124	) 1,254
Tenant and other receivables	(7,336	) (3,018
Related party receivables	(5,200	) (187
Deferred lease costs	(17,544	) (28,502
Other assets	(35,717	) (23,316
Accounts payable, accrued expenses and other liabilities and security deposits	17,445	23,635
Deferred revenue and deferred land leases payable	23,608	22,731
Net cash provided by operating activities	377,206	310,530
Investing Activities		
Acquisitions of real estate property	(711,437	) (58,185
Additions to land, buildings and improvements	(282,947	) (108,849
Escrowed cash—capital improvements/acquisition deposits	(67,868	) (246,682
Investments in unconsolidated joint ventures	(217,187	) (120,130
Distributions in excess of cumulative earnings from unconsolidated joint ventures	158,809	19,795
Net proceeds from disposition of real estate/joint venture interest	357,426	218,701
Proceeds from sale of marketable securities	3,669	287
Purchase of marketable securities	(10,025	) (11,492
Other investments	15,980	(14,874
Origination of debt and preferred equity investments	(421,003	) (393,429
Repayments or redemption of debt and preferred equity investments	349,320	472,317
Net cash used in investing activities	(825,263	) (242,541

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SL Green Realty Corp.

Consolidated Statements of Cash Flows (cont.)

(unaudited, in thousands, except per share data)

	Nine Months Ended September 30,	
	2014	2013
Financing Activities		
Proceeds from mortgages and other loans payable	2,001,603	980,333
Repayments of mortgages and other loans payable	(1,688,466	) (1,027,201 )
Proceeds from revolving credit facility, term loan and senior unsecured notes	1,136,400	844,000
Repayments of revolving credit facility, term loan and senior unsecured notes	(805,988	) (578,970 )
Payment of debt extinguishment costs	(23,332	) —
Proceeds from stock options exercised and DRIP issuance	20,549	10,452
Net proceeds from sale of common stock	42,698	41,734
Net proceeds from sale of preferred stock	—	24
Redemption of preferred stock	—	(192,500 )
Sale of treasury stock	—	6,089
Distributions to noncontrolling interests in other partnerships	(5,745	) (11,809 )
Contributions from noncontrolling interests in other partnerships	27,933	3,781
Distributions to noncontrolling interests in the Operating Partnership	(5,482	) (2,695 )
Dividends paid on common and preferred stock	(154,907	) (113,192 )
Deferred loan costs and capitalized lease obligation	(50,378	) (8,921 )
Net cash provided by (used in) financing activities	494,885	(48,875 )
Net increase in cash and cash equivalents	46,828	19,114
Cash and cash equivalents at beginning of period	206,692	189,984
Cash and cash equivalents at end of period	\$253,520	\$209,098
Supplemental Disclosure of Non-Cash Investing and Financing Activities:		
Issuance of common stock as deferred compensation	\$1,503	\$434
Issuance of units in the Operating Partnership	22,862	14,270
Redemption of units in the Operating Partnership	26,392	17,287
Issuance of preferred units of limited partnership interest in the Operating Partnership	27,565	—
Fair value adjustment to noncontrolling interest in the Operating Partnership	108,453	38,452
Derivative instruments at fair value	12,713	494
Tenant improvements and capital expenditures payable	8,456	9,855
Capital leased asset	—	9,992
Transfer to net assets held for sale	753,457	—
Transfer to liabilities related to net assets held for sale	461,891	—
Transfer of financing receivable to debt investment	19,675	—
Deferred leasing payable	13,086	2,849
Consolidation of real estate	1,316,591	90,934
Assumption of mortgage loan	—	84,642
The accompanying notes are an integral part of these financial statements.		



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SL Green Operating Partnership, L.P.  
 Consolidated Balance Sheets  
 (in thousands, except per unit data)

	September 30, 2014 (unaudited)	December 31, 2013
Assets		
Commercial real estate properties, at cost:		
Land and land interests	\$3,833,305	\$3,032,526
Building and improvements	8,679,637	7,884,663
Building leasehold and improvements	1,405,255	1,366,281
Properties under capital lease	27,445	50,310
	13,945,642	12,333,780
Less: accumulated depreciation	(1,826,027)	(1,646,240)
	12,119,615	10,687,540
Assets held for sale		
Cash and cash equivalents	753,457	—
Restricted cash	253,520	206,692
Investment in marketable securities	159,303	142,051
Tenant and other receivables, net of allowance of \$20,719 and \$17,325 in 2014 and 2013, respectively	39,293	32,049
Related party receivables	64,184	60,393
Deferred rents receivable, net of allowance of \$27,185 and \$30,333 in 2014 and 2013, respectively	13,262	8,530
Debt and preferred equity investments, net of discounts and deferred origination fees of \$19,801 and \$18,593 in 2014 and 2013, respectively, and allowance of \$1,000 in 2013	364,284	386,508
Investments in unconsolidated joint ventures	1,432,951	1,304,839
Deferred costs, net	996,842	1,113,218
Other assets	310,860	267,058
Total assets	729,538	750,123
	\$17,237,109	\$14,959,001
Liabilities		
Mortgages and other loans payable	\$5,890,782	\$4,860,578
Revolving credit facility	244,000	220,000
Term loan and senior unsecured notes	2,054,168	1,739,330
Accrued interest payable and other liabilities	127,811	114,622
Accounts payable and accrued expenses	183,001	145,889
Deferred revenue	215,527	263,261
Capitalized lease obligations	20,728	47,671
Deferred land leases payable	1,129	22,185
Dividend and distributions payable	53,571	52,255
Security deposits	66,659	61,308
Liabilities related to assets held for sale	461,891	—
Junior subordinate deferrable interest debentures held by trusts that issued trust preferred securities	100,000	100,000
Total liabilities	9,419,267	7,627,099
Commitments and contingencies	—	—
Preferred Units	73,115	49,550



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SL Green Operating Partnership, L.P.

Consolidated Balance Sheets (cont.)

(in thousands, except per share data)

	September 30, 2014 (unaudited)	December 31, 2013
Capital		
SLGOP partners' capital:		
Series I Preferred Units, \$25.00 liquidation preference, 9,200 outstanding at both September 30, 2014 and December 31, 2013	221,932	221,932
SL Green partners' capital 997 and 979 general partner common units and 94,948 and 94,014 limited partner common units outstanding at September 30, 2014 and December 31, 2013, respectively)	6,922,104	6,506,747
Limited partner interests in SLGOP (3,735 and 2,902 limited partner common units outstanding at September 30, 2014 and December 31, 2013, respectively)	84,862	77,864
Accumulated other comprehensive loss	(3,000	) (15,662 )
Total SLGOP partners' capital	7,225,898	6,790,881
Noncontrolling interests in other partnerships	518,829	491,471
Total capital	7,744,727	7,282,352
Total liabilities and capital	\$17,237,109	\$14,959,001

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

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SL Green Operating Partnership, L.P.  
Consolidated Statements of Income  
(unaudited, in thousands, except per unit amounts)

	Three Months Ended September		Nine Months Ended September	
	30,		30,	
	2014	2013	2014	2013
Revenues				
Rental revenue, net	\$291,293	\$242,439	\$826,877	\$741,022
Escalation and reimbursement	43,826	42,026	120,209	114,850
Investment income	43,969	44,448	137,767	143,887
Other income	11,186	9,869	48,498	20,855
Total revenues	390,274	338,782	1,133,351	1,020,614
Expenses				
Operating expenses, including \$5,104 and \$13,183 (2014) and \$4,698 and \$12,858 (2013) of related party expenses	72,111	72,784	211,118	205,921
Real estate taxes	55,548	51,529	159,702	149,857
Ground rent	8,088	7,930	24,161	23,988
Interest expense, net of interest income	82,376	78,226	236,424	232,862
Amortization of deferred financing costs	6,679	4,121	15,737	12,404
Depreciation and amortization	94,443	84,162	274,337	238,666
Transaction related costs, net of recoveries	2,383	(2,368)	6,554	717
Marketing, general and administrative	22,649	20,869	69,778	63,450
Total expenses	344,277	317,253	997,811	927,865
Income from continuing operations before equity in net income from unconsolidated joint ventures, equity in net gain (loss) on sale of interest in unconsolidated joint venture/real estate, loss on sale of investment in marketable securities, purchase price fair value adjustment and loss on early extinguishment of debt	45,997	21,529	135,540	92,749
Equity in net income from unconsolidated joint ventures	6,034	2,939	20,781	4,251
Equity in net gain (loss) on sale of interest in unconsolidated joint venture/real estate	16,496	(354)	122,580	(3,937)
Loss on sale of investment in marketable securities	—	—	—	(65)
Purchase price fair value adjustment	(4,000)	—	67,446	(2,305)
Loss on early extinguishment of debt	(24,475)	—	(25,500)	(18,523)
Income from continuing operations	40,052	24,114	320,847	72,170
Net income from discontinued operations	4,035	7,435	15,449	19,851
Gain on sale of discontinued operations	29,507	13,787	144,242	14,900
Net income	73,594	45,336	480,538	106,921
Net income attributable to noncontrolling interests in other partnerships	(1,712)	(2,901)	(5,045)	(8,806)
Preferred unit distributions	(820)	(562)	(1,950)	(1,692)
Net income attributable to SLGOP	71,062	41,873	473,543	96,423
Preferred unit redemption costs	—	—	—	(12,160)
Perpetual preferred unit distributions	(3,738)	(3,738)	(11,214)	(18,144)
	\$67,324	\$38,135	\$462,329	\$66,119

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Net income attributable to SLGOP common unitholders

Amounts attributable to SLGOP common unitholders:

Income from continuing operations	\$21,286	\$17,267	\$112,612	\$37,610
Purchase price fair value adjustment	(4,000	) —	67,446	(2,305 )
Equity in net gain (loss) on sale of interest in unconsolidated joint venture/real estate	16,496	(354 )	122,580	(3,937 )
Net income from discontinued operations	4,035	7,435	15,449	19,851
Gain on sale of discontinued operations	29,507	13,787	144,242	14,900
Net income attributable to SLGOP common unitholders	\$67,324	\$38,135	\$462,329	\$66,119

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SL Green Operating Partnership, L.P.

Consolidated Statements of Income

(unaudited, in thousands, except per unit amounts)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2014	2013	2014	2013
Basic earnings per unit:				
Income from continuing operations before gains (loss) on sale and discontinued operations	\$0.17	\$0.18	\$1.82	\$0.37
Equity in net gain (loss) on sale of interest in unconsolidated joint venture/real estate	0.17	—	1.24	(0.04 )
Net income from discontinued operations	0.04	0.07	0.16	0.21
Gain on sale of discontinued operations	0.30	0.15	1.46	0.16
Net income attributable to SLGOP common unitholders	\$0.68	\$0.40	\$4.68	\$0.70
Diluted earnings per unit:				
Income from continuing operations before gains (loss) on sale and discontinued operations	\$0.17	\$0.18	\$1.82	\$0.37
Equity in net gain (loss) on sale of interest in unconsolidated joint venture/real estate	0.17	—	1.23	(0.04 )
Net income from discontinued operations	0.04	0.07	0.16	0.21
Gain on sale of discontinued operations	0.30	0.15	1.45	0.16
Net income attributable to SLGOP common unitholders	\$0.68	\$0.40	\$4.66	\$0.70
Dividends per unit	\$0.50	\$0.33	\$1.50	\$0.99
Basic weighted average common units outstanding	99,319	94,780	98,860	94,389
Diluted weighted average common units and common unit equivalents outstanding	99,706	95,016	99,322	94,631

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

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SL Green Operating Partnership, L.P.  
 Consolidated Statements of Comprehensive Income  
 (unaudited, in thousands)

	Three Months Ended September		Nine Months Ended September	
	30,		30,	
	2014	2013	2014	2013
Net income	\$73,594	\$45,336	\$480,538	\$106,921
Other comprehensive income:				
Change in net unrealized gain (loss) on derivative instruments, including SLGOP's share of joint venture net unrealized gain (loss) on derivative instruments	3,919	(1,165	) 11,380	10,522
Change in unrealized (loss) gain on marketable securities	(506	) 513	1,282	306
Other comprehensive income (loss)	3,413	(652	) 12,662	10,828
Comprehensive income	77,007	44,684	493,200	117,749
Net income attributable to noncontrolling interests	(1,712	) (2,901	) (5,045	) (8,806
Comprehensive income attributable to SLGOP	\$75,295	\$41,783	\$488,155	\$108,943

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

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## SL Green Operating Partnership, L.P.

## Consolidated Statement of Capital

(unaudited, in thousands, except per unit data)

	SL Green Operating Partnership Unitholders						Accumulated Other Comprehensive Income (Loss)	Noncontrolling Interests	Total
	Series I Preferred Units	Common Units	Common Unitholders	Common Units	Common Unitholders				
Balance at December 31, 2013	\$221,932	94,993	\$6,506,747	2,902	\$77,864	\$ (15,662 )	\$ 491,471	7,282,352	
Net income	11,214		446,319		16,010		5,045	478,588	
Other comprehensive income						12,662		12,662	
Preferred distributions	(11,214 )							(11,214 )	
Issuance of common units				1,097	22,862			22,862	
DRIP proceeds		—	40					40	
Redemption of units		264	26,392	(264 )	(26,392 )			—	
Deferred compensation plan and stock award, net		4	(1,363 )					(1,363 )	
Amortization of deferred compensation plan			23,822					23,822	
Contribution to consolidated joint venture interest							28,058	28,058	
Contributions—net proceeds from common stock offering		394	42,698					42,698	
Contributions—proceeds from stock options exercised		290	20,509					20,509	
Cash distributions to noncontrolling interests							(5,745 )	(5,745 )	
Cash distribution declared (\$1.50 per common unit, none of which represented a return of capital for federal income tax purposes)			(143,060 )		(5,482 )			(148,542 )	
Balance at September 30, 2014	\$221,932	95,945	\$6,922,104	3,735	\$84,862	\$ (3,000 )	\$ 518,829	\$7,744,727	

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



Table of ContentsSL Green Operating Partnership, L.P.  
Consolidated Statements of Cash Flows  
(unaudited, in thousands)

	Nine Months Ended September 30,	
	2014	2013
Operating Activities		
Net income	\$480,538	\$ 106,921
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	295,877	264,833
Equity in net income from unconsolidated joint ventures	(20,781	) (4,251
Distributions of cumulative earnings from unconsolidated joint ventures	23,065	21,723
Equity in net (gain) loss on sale of interest in unconsolidated joint venture interest/real estate	(122,580	) 3,937
Purchase price fair value adjustment	(71,446	) 2,305
Depreciable real estate reserves	—	2,150
Gain on sale of discontinued operations	(144,242	) (14,900
Loss on early extinguishment of debt	25,500	10,968
Deferred rents receivable	(43,736	) (44,021
Other non-cash adjustments	(13,121	) (31,732
Changes in operating assets and liabilities:		
Restricted cash—operations	(7,124	) 1,254
Tenant and other receivables	(7,336	) (3,018
Related party receivables	(5,200	) (187
Deferred lease costs	(17,544	) (28,502
Other assets	(35,717	) (23,316
Accounts payable, accrued expenses and other liabilities and security deposits	17,445	23,635
Deferred revenue and deferred land leases payable	23,608	22,731
Net cash provided by operating activities	377,206	310,530
Investing Activities		
Acquisitions of real estate property	(711,437	) (58,185
Additions to land, buildings and improvements	(282,947	) (108,849
Escrowed cash—capital improvements/acquisition deposits	(67,868	) (246,682
Investments in unconsolidated joint ventures	(217,187	) (120,130
Distributions in excess of cumulative earnings from unconsolidated joint ventures	158,809	19,795
Net proceeds from disposition of real estate/joint venture interest	357,426	218,701
Proceeds from sale of marketable securities	3,669	287
Purchase of marketable securities	(10,025	) (11,492
Other investments	15,980	(14,874
Origination of debt and preferred equity investments	(421,003	) (393,429
Repayments or redemption of debt and preferred equity investments	349,320	472,317
Net cash used in investing activities	(825,263	) (242,541

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SL Green Operating Partnership, L.P.  
 Consolidated Statements of Cash Flows (cont.)  
 (unaudited, in thousands)

	Nine Months Ended September 30,	
	2014	2013
<b>Financing Activities</b>		
Proceeds from mortgages and other loans payable	2,001,603	980,333
Repayments of mortgages and other loans payable	(1,688,466	) (1,027,201 )
Proceeds from revolving credit facility, term loan and senior unsecured notes	1,136,400	844,000
Repayments of revolving credit facility, term loan and senior unsecured notes	(805,988	) (578,970 )
Payments of debt extinguishment costs	(23,332	) —
Contributions of proceeds from stock options exercised and DRIP issuance	20,549	10,452
Contributions of net proceeds from sale of common stock	42,698	41,734
Contributions of net proceeds from sale of preferred stock	—	24
Redemption of preferred stock	—	(192,500 )
Sale of treasury stock	—	6,089
Distributions to noncontrolling interests in other partnerships	(5,745	) (11,809 )
Contributions from noncontrolling interests in other partnerships	27,933	3,781
Distributions paid on common and preferred units	(160,389	) (115,887 )
Deferred loan costs and capitalized lease obligation	(50,378	) (8,921 )
Net cash provided by (used in) financing activities	494,885	(48,875 )
Net increase in cash and cash equivalents	46,828	19,114
Cash and cash equivalents at beginning of period	206,692	189,984
Cash and cash equivalents at end of period	\$253,520	\$209,098
<b>Supplemental Disclosure of Non-Cash Investing and Financing Activities:</b>		
Issuance of common stock as deferred compensation	\$1,503	\$434
Issuance of units in the Operating Partnership	22,862	14,270
Redemption of units in the Operating Partnership	26,392	17,287
Issuance of preferred units of limited partnership interest in the Operating Partnership	27,565	—
Derivative instruments at fair value	12,713	494
Tenant improvements and capital expenditures payable	8,456	9,855
Capital leased asset	—	9,992
Transfer to net assets held for sale	753,457	—
Transfer to liabilities related to net assets held for sale	461,891	—
Transfer of financing receivable to debt investment	19,675	—
Deferred leasing payable	13,086	2,849
Consolidation of real estate	1,316,591	90,934
Assumption of mortgage loan	—	84,642

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

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SL Green Realty Corp. and SL Green Operating Partnership, L.P.  
Notes to Consolidated Financial Statements  
September 30, 2014  
(unaudited)

## 1. Organization and Basis of Presentation

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

Substantially all of our assets are held by, and our operations are conducted through, the Operating Partnership. The Company is the sole managing general partner of the Operating Partnership. As of September 30, 2014, noncontrolling investors held, in the aggregate, a 3.75% limited partnership interest in the Operating Partnership. We refer to these interests as the noncontrolling interests in the Operating Partnership. See Note 11, "Noncontrolling Interests on the Company's Consolidated Financial Statements."

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

As of September 30, 2014, we owned the following interests in properties in the New York Metropolitan area, primarily in midtown Manhattan, a borough of New York City. Our investments in the New York Metropolitan area also include investments in Brooklyn, Long Island, Westchester County, Connecticut and Northern New Jersey, which are collectively known as the Suburban properties:

Location	Type	Consolidated Number of Properties	Square Feet	Unconsolidated Number of Properties	Square Feet	Total Number of Properties	Square Feet	Weighted Average Occupancy(1)	
Commercial:									
Manhattan	Office	23	18,429,045	7	3,476,115	30	21,905,160	95.4	%
	Retail	8	(2) 394,535	7	283,295	15	677,830	90.3	%
	Development/Redevelopment	9	(3) 1,973,862	4	1,605,782	13	3,579,644	39.7	%
	Fee Interest	3	(3) 1,137,930	—	—	3	1,137,930	100.0	%
		43	21,935,372	18	5,365,192	61	27,300,564	88.2	%
Suburban	Office	27	4,365,400	4	1,222,100	31	5,587,500	81.3	%
	Retail	1	52,000	—	—	1	52,000	100.0	%
	Development/Redevelopment	1	85,000	1	65,641	2	150,641	50.5	%
		29	4,502,400	5	1,287,741	34	5,790,141	80.7	%
Total commercial properties		72	26,437,772	23	6,652,933	95	33,090,705	86.8	%
Residential:									
Manhattan	Residential	3	(2) 735,587	—	—	3	735,587	94.1	%
Suburban	Residential	1	66,611	—	—	1	66,611	79.2	%

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Total residential properties	4	802,198	—	—	4	802,198	93.2	%
Total portfolio	76	27,239,970	23	6,652,933	99	33,892,903	87.0	%

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

Notes to Consolidated Financial Statements (cont.)

September 30, 2014

(unaudited)

The weighted average occupancy for commercial properties represents the total occupied square feet divided by (1) total available rentable square feet. The weighted average occupancy for residential properties represents the total occupied units divided by total available units.

As of September 30, 2014, we owned a building that was comprised of 270,132 square feet of retail space and (2) 222,855 square feet of residential space. For the purpose of this report, we have included the building as part of retail properties and have shown the square footage under its respective classifications.

(3) Includes two properties, which are held for sale as of September 30, 2014.

As of September 30, 2014, we also managed a 336,200 square foot office building owned by a third party. As of September 30, 2014, we also held debt and preferred equity investments with a book value of \$1.4 billion.

Partnership Agreement

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

Basis of Quarterly Presentation

The accompanying unaudited consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and notes required by accounting principles generally accepted in the United States for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for the fair presentation of the financial position of the Company and the Operating Partnership at September 30, 2014 and the results of operations for the periods presented have been included. The operating results for the period presented are not necessarily indicative of the results that may be expected for the year ending December 31, 2014. These financial statements should be read in conjunction with the financial statements and accompanying notes included in the Annual Report on Form 10-K for the year ended December 31, 2013 of the Company and the Operating Partnership. The consolidated balance sheets at December 31, 2013 have been derived from the audited financial statements as of that date but do not include all the information and footnotes required by accounting principles generally accepted in the United States for complete financial statements.

2. Significant Accounting Policies

Principles of Consolidation

The consolidated financial statements include our accounts and those of our subsidiaries, which are wholly-owned or controlled by us. Entities which we do not control through our voting interest and entities which are variable interest entities, but where we are not the primary beneficiary, are accounted for under the equity method or as debt and preferred equity investments. See Note 5, "Debt and Preferred Equity Investments" and Note 6, "Investments in Unconsolidated Joint Ventures." All significant intercompany balances and transactions have been eliminated. We consolidate a variable interest entity, or VIE, in which we are considered the primary beneficiary. The primary beneficiary is the entity that has (i) the power to direct the activities that most significantly impact the entity's economic performance and (ii) the obligation to absorb losses of the VIE or the right to receive benefits from the VIE that could be significant to the VIE. Included in commercial real estate properties on our consolidated balance sheets

as of September 30, 2014 and December 31, 2013 are \$196.2 million and \$605.9 million, respectively, related to our consolidated VIEs. Included in mortgages and other loans payable on our consolidated balance sheets as of September 30, 2014 and December 31, 2013 are \$106.9 million and \$370.9 million, respectively, related to our consolidated VIEs. Also included in assets held for sale and liabilities related to assets held for sale on our consolidated balance sheet as of September 30, 2014 are \$425.7 million of commercial real estate and \$256.2 million of mortgage related to our consolidated VIEs.

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

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

Notes to Consolidated Financial Statements (cont.)

September 30, 2014

(unaudited)

We assess the accounting treatment for each joint venture and debt and preferred equity investment. This assessment includes a review of each joint venture or limited liability company agreement to determine which party has what rights and whether those rights are protective or participating. For all VIEs, we review such agreements in order to determine which party has the power to direct the activities that most significantly impact the entity's economic performance. In situations where we and our partner approve, among other things, the annual budget, receive a detailed monthly reporting package from us, meet on a quarterly basis to review the results of the joint venture, review and approve the joint venture's tax return before filing, and approve all leases that cover more than a nominal amount of space relative to the total rentable space at each property, we do not consolidate the joint venture as we consider these to be substantive participation rights that result in shared power of the activities that most significantly impact the performance of our joint venture. Our joint venture agreements typically contain certain protective rights such as the requirement of partner approval to sell, finance or refinance the property and the payment of capital expenditures and operating expenditures outside of the approved budget or operating plan.

**Investment in Commercial Real Estate Properties**

On a periodic basis, we assess whether there are any indications that the value of our real estate properties may be impaired or that their carrying value may not be recoverable. A property's value is considered impaired if management's estimate of the aggregate future cash flows (undiscounted and without interest charges for consolidated properties) to be generated by the property is less than the carrying value of the property. To the extent impairment has occurred, the loss will be measured as the excess of the carrying amount of the property over the calculated fair value of the property. We also evaluate our real estate properties for potential impairment when a real estate property has been classified as held for sale. Real estate assets held for sale are valued at the lower of their carrying value or fair value less costs to sell. We do not believe that the values of any of our consolidated properties or properties held for sale were impaired at September 30, 2014.

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

We recognized an increase of \$5.7 million, \$18.2 million and \$12.5 million in rental revenue for the three and nine months ended September 30, 2014 and nine months ended September 30, 2013, respectively, for the amortization of aggregate below-market leases in excess of above-market leases and a reduction in lease origination costs, resulting from the allocation of the purchase price of the applicable properties. We recognized a decrease of approximately \$0.2 million in rental revenue for the three months ended September 30, 2013 for the amortization of aggregate

above-market leases and reductions in lease origination costs in excess of below-market leases, which included approximately \$6.8 million resulting from a write-off of above-market and in-place lease balances associated with a former tenant. Excluding this non-recurring charge, we recognized an increase of approximately \$6.6 million in rental revenue for the three months ended September 30, 2013 for the amortization of aggregate below-market leases in excess of above-market leases and reductions in lease origination costs. We recognized a reduction in interest expense for the amortization of the above-market rate mortgages assumed of \$1.3 million, \$4.1 million, \$1.2 million and \$3.7 million for the three and nine months ended September 30, 2014 and 2013, respectively.



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

Notes to Consolidated Financial Statements (cont.)

September 30, 2014

(unaudited)

The following summarizes our identified intangible assets (acquired above-market leases and in-place leases) and intangible liabilities (acquired below-market leases) as of September 30, 2014 and December 31, 2013 (in thousands):

	September 30, 2014	December 31, 2013
Identified intangible assets (included in other assets):		
Gross amount	\$674,672	\$746,704
Accumulated amortization	(371,452	) (343,339
Net	\$303,220	\$403,365
Identified intangible liabilities (included in deferred revenue):		
Gross amount	\$655,755	\$671,380
Accumulated amortization	(470,235	) (429,138
Net	\$185,520	\$242,242

## Fair Value Measurements

See Note 17, "Fair Value Measurements."

## Investment in Marketable Securities

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

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

At September 30, 2014 and December 31, 2013, we held the following marketable securities (in thousands):

	September 30, 2014	December 31, 2013
Equity marketable securities	\$4,315	\$4,307
Commercial mortgage-backed securities	34,978	24,419
Rake bonds	—	3,323
Total marketable securities available-for-sale	\$39,293	\$32,049

The cost basis of the commercial mortgage-backed securities was \$32.5 million and \$23.0 million at September 30, 2014 and December 31, 2013. These securities mature at various times through 2049. The cost basis of the rake bonds was \$3.6 million at December 31, 2013.

## Investments in Unconsolidated Joint Ventures

We assess our investments in unconsolidated joint ventures for recoverability, and if it is determined that a loss in value of the investment is other than temporary, we write down the investment to its fair value. We evaluate our equity investments for impairment based on the joint venture's projected discounted cash flows. We do not believe that the values of any of our equity investments were impaired at September 30, 2014.

We may originate loans for real estate acquisition, development and construction, or ADC arrangements, where we expect to receive some or all of the residual profit. When the risk and rewards of these ADC arrangements are essentially the same as an investor or joint venture partner, we account for these ADC arrangements as real estate investments under the equity method of accounting for investments. Otherwise, we account for these ADC arrangements consistent with our loan accounting for our debt and preferred equity investments.



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Revenue Recognition

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

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

Interest income on debt and preferred equity investments is accrued based on the outstanding principal amount and contractual terms of the instruments and when, in the opinion of management, it is deemed collectible. Several of the debt and preferred equity investments provide for accrual of interest at specified rates, which differ from current payment terms. Interest is recognized on such loans at the accrual rate subject to management's determination that accrued interest are ultimately collectible, based on the underlying collateral and operations of the borrower. If management cannot make this determination, interest income above the current pay rate is recognized only upon actual receipt.

Deferred originations fees, original issue discounts and loan origination costs, if any, are recognized as a reduction to the interest income over the terms of the related investments using the effective interest method. Fees received in

connection with loan commitments are also deferred until the loan is funded and are then recognized over the term of the loan as an adjustment to yield. Discounts or premiums associated with the purchase of loans are amortized or accreted into interest income as a yield adjustment on the effective interest method based on expected cashflows through the expected maturity date of the related investment. If we purchase a debt or preferred equity investment at a discount, intend to hold it until maturity and expect to recover the full value of the investment, we accrete the discount into income as an adjustment to yield over the term of the investment. If we purchase a debt or preferred equity investment at a discount with the intention of foreclosing on the collateral, we do not accrete the discount. For debt investments acquired at a discount for credit quality, the difference between contractual cash flows and expected cash flows at acquisition is not accreted. Anticipated exit fees, whose collection is expected, are also recognized over the term of the loan as an adjustment to yield.

Debt and preferred equity investments are placed on a non-accrual status at the earlier of the date at which payments become 90 days past due or when, in the opinion of management, a full recovery of interest income becomes doubtful. Interest income recognition on any non-accrual debt or preferred equity investment is resumed when such non-accrual debt or preferred equity

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investment becomes contractually current and performance is demonstrated to be resumed. Interest is recorded as income on impaired loans only to the extent cash is received.

We may syndicate a portion of the loans that we originate or sell these loans individually. When a transaction meets the criteria of sale accounting, we derecognize the loan sold and recognize gain or loss based on the difference between the sales price and the carrying value of the loan sold. Any related unamortized deferred origination fees, loan origination costs, discounts or premiums at the time of sale are recognized as an adjustment to the gain or loss on sale, which is included in investment income on the consolidated statement of income. Any fees received at the time of sale or syndication are recognized as part of investment income.

**Reserve for Possible Credit Losses**

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

Where impairment is indicated on an investment that is held to maturity, a valuation allowance is measured based upon the excess of the recorded investment amount over the net fair value of the collateral. Any deficiency between the carrying amount of an asset and the calculated value of the collateral is charged to expense. We continue to assess or adjust our estimates based on circumstances of a loan and the underlying collateral. If the additional information obtained reflects increased recovery of our investment, we will adjust our reserves accordingly. There were no loan reserves recorded during each of the three and nine months ended September 30, 2014 and 2013.

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

**Income Taxes**

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

The Operating Partnership is a partnership and, as a result, all income and losses of the partnership are allocated to the partners for inclusion in their respective income tax returns. The only provision for income taxes included in the consolidated statements of income relates to the Operating Partnership's consolidated taxable REIT subsidiaries. The Operating Partnership may also be subject to certain state, local and franchise taxes.

Pursuant to amendments to the Code that became effective January 1, 2001, we have elected, and may elect in the future, to treat certain of our existing or newly created corporate subsidiaries as taxable REIT subsidiaries, or TRSs. In general, a TRS may perform non-customary services for the tenants of the Company, hold assets that we cannot hold directly and generally may engage in any real estate or non-real estate related business. The TRSs generate income, resulting in Federal and state income tax liability for these entities.

During the three and nine months ended September 30, 2014 and 2013, we recorded a Federal, state and local tax provision of \$1.6 million, \$6.6 million, \$2.1 million and \$6.0 million, respectively.

We follow a two-step approach for evaluating uncertain tax positions. Recognition (step one) occurs when an enterprise concludes that a tax position, based solely on its technical merits, is more-likely-than-not to be sustained upon examination. Measurement (step two) determines the amount of benefit that is more-likely-than-not to be realized upon settlement. Derecognition of a tax position that was previously recognized would occur when a company subsequently determines that a tax position no

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longer meets the more-likely-than-not threshold of being sustained. The use of a valuation allowance as a substitute for derecognition of tax positions is prohibited.

**Stock-Based Employee Compensation Plans**

We have a stock-based employee compensation plan, described more fully in Note 14, "Share-based Compensation." The Company's stock options are recorded at fair value at the time of issuance. Fair value of the stock options is determined using the Black-Scholes option pricing model. The Black-Scholes model was developed for use in estimating the fair value of traded options, which have no vesting restrictions and are fully transferable. In addition, option valuation models require the input of highly subjective assumptions including the expected stock price volatility. Because our plan has characteristics significantly different from those of traded options and because changes in the subjective input assumptions can materially affect the fair value estimate, in our opinion, the existing models do not necessarily provide a reliable single measure of the fair value of the 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 the Company's common stock on the grant date. Awards of stock or restricted stock are expensed as compensation over the benefit period based on the fair value of the stock on the grant date.

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

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

**Earnings per Share of the Company**

The Company presents both basic and diluted earnings per share, or EPS. Basic EPS excludes dilution and is computed by dividing net income attributable to common stockholders by the weighted average number of common shares outstanding during the period. Basic EPS includes participating securities, consisting of unvested restricted stock that receive nonforfeitable dividends similar to shares of common stock. Diluted EPS reflects the potential dilution that could occur if securities or other contracts to issue common stock were exercised or converted into common stock, where such exercise or conversion would result in a lower EPS amount. Diluted EPS also includes units of limited partnership interest. The dilutive effect of stock options is reflected in the weighted average diluted outstanding shares calculation by application of the treasury stock method. There is no dilutive effect for the exchangeable senior notes as the conversion premium will be paid in cash.

**Earnings per Unit of the Operating Partnership**

The Operating Partnership presents both basic and diluted earnings per unit, or EPU. Basic EPU excludes dilution and is computed by dividing net income attributable to common unitholders by the weighted average number of

common units outstanding during the period. Basic EPU includes participating securities, consisting of unvested restricted units that receive nonforfeitable dividends similar to shares of common units. Diluted EPU reflects the potential dilution that could occur if securities or other contracts to issue common units were exercised or converted into common units, where such exercise or conversion would result in a lower EPU amount. The dilutive effect of unit options is reflected in the weighted average diluted outstanding units calculation by application of the treasury stock method. There is no dilutive effect for the exchangeable senior notes as the conversion premium will be paid in cash.



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Use of Estimates

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

Concentrations of Credit Risk

Financial instruments that potentially subject us to concentrations of credit risk consist primarily of cash investments, debt and preferred equity investments and accounts receivable. We place our cash investments in excess of insured amounts with high quality financial institutions. The collateral securing our debt and preferred equity investments is primarily located in New York City. See Note 5, "Debt and Preferred Equity Investments." We perform ongoing credit evaluations of our tenants and require most tenants to provide security deposits or letters of credit. Though these security deposits and letters of credit are insufficient to meet the total value of a tenant's lease obligation, they are a measure of good faith and a source of funds to offset the economic costs associated with lost rent and the costs associated with re-tenanting a space. Although the properties in our real estate portfolio are primarily located in Manhattan, we also have properties located in Brooklyn, Long Island, Westchester County, Connecticut and Northern New Jersey. The tenants located in our buildings operate in various industries. Other than three tenants who account for 11.0%, 7.3% and 5.6% of our share of annualized cash rent, respectively, no other tenant in our portfolio accounted for more than 2.0% of our annualized cash rent, including our share of joint venture annualized rent, for the three months ended September 30, 2014. For the three months ended September 30, 2014, 9.7%, 9.4% and 7.4% of our annualized cash rent for consolidated properties was attributable to 1515 Broadway, 388-390 Greenwich Street and 1185 Avenue of the Americas, respectively. In addition, one of our preferred equity investments accounted for 13.2% of the income earned on debt and preferred equity investments during the three months ended September 30, 2014.

Reclassification

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

Accounting Standards Updates

In June 2014, the Financial Accounting Standards Board, or the FASB, issued final guidance that requires repurchase-to-maturity transactions to be accounted for as secured borrowings as if the transferor retains effective control, even though the transferred financial assets are not returned to the transferor at settlement and also eliminates existing guidance for repurchase financings (Accounting Standards Update, or ASU, No. 2014-11). New disclosures are required for (1) certain transactions accounted for as secured borrowings and (2) transfers accounted for as sales when the transferor also retains substantially all of the exposure to the economic return on the transferred financial assets throughout the term of the transaction. The guidance is effective for the first interim or annual period beginning after December 15, 2014, except for the disclosures related to transactions accounted for as secured borrowings, which are effective for periods beginning after March 15, 2015. Early adoption of this guidance is prohibited. The Company will adopt this standard beginning in the first quarter of 2015. The adoption of this guidance is not anticipated to have a material impact on our consolidated financial statements.

In May 2014, the FASB issued a new comprehensive revenue recognition guidance which requires us to recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which we expect to be entitled in exchange for those goods and services (ASU No. 2014-09). The guidance also requires enhanced disclosures to help users of financial statements better understand the nature, amount, timing, and uncertainty of revenue that is recognized. The guidance is effective for annual and interim periods beginning after December 15, 2016 and early adoption is not permitted. The new guidance can be applied either retrospectively to each prior reporting period presented, or as a cumulative-effect adjustment as of the date of adoption. The Company is

currently evaluating the new guidance to determine the impact it may have on our consolidated financial statements. In April 2014, the FASB issued new guidance on reporting discontinued operations which raises the threshold for disposals to qualify as discontinued operations (ASU No. 2014-08). The guidance also allows us to have a significant continuing involvement and continuing cash flows with the discontinued operations. Additionally, the guidance requires additional disclosures for discontinued operations and new disclosures for individually material disposal transactions that do not meet the definition of a discontinued operation. The guidance is effective for calendar year public companies beginning in the first quarter of 2015 and is to be applied on a prospective basis for new disposals. Early adoption of this guidance is permitted. The Company will adopt this standard beginning in the first quarter of 2015. The adoption of this guidance will change the presentation of discontinued operations but will not have a material impact on our consolidated financial statements.

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## 3. Property Acquisitions

In September 2014, we acquired the fee interest at 635 Madison Avenue for \$153.7 million. We are currently in the process of analyzing the purchase price allocation and, as such, we have not allocated any value to intangible assets. In August 2014, we acquired the fee ownership position in 752 Madison Avenue for \$282.4 million. Previously, in January 2012, a separate joint venture in which an SL Green entity holds an 80% interest acquired the ground tenancy position. We are currently in the process of analyzing the purchase price allocation and, as such, we have not allocated any value to intangible assets.

In July 2014, we, together with our joint venture partner, acquired the fee interest at 719 Seventh Avenue for \$41.1 million. We consolidate this joint venture due to our controlling interest. We are currently in the process of analyzing the purchase price allocation and, as such, we have not allocated any value to intangible assets.

In July 2014, we acquired the retail condominium at 115 Spring Street for \$53.1 million. We are currently in the process of analyzing the purchase price allocation and, as such, we have not allocated any value to intangible assets. In May 2014, we acquired Ivanhoe Cambridge, Inc.'s 49.65% economic interest in 388-390 Greenwich Street, thereby consolidating full ownership of the property. The transaction valued the consolidated interests at \$1.585 billion. This valuation was based on a negotiated sales agreement which took into consideration the recent extension of the existing triple net lease. Simultaneous with the closing, we refinanced the existing \$1.1 billion mortgage with a four-year \$1.5 billion mortgage, which bears interest at 175 basis points over LIBOR. We also assumed the existing derivative instruments, which swapped \$504.0 million of the mortgage to fixed rate. We recognized a purchase price fair value adjustment of \$71.4 million upon closing of this transaction. This property, which we initially acquired in December 2007, was previously accounted for as an investment in unconsolidated joint ventures. We are currently in the process of analyzing the purchase price allocation and, as such, we have not allocated any value to intangible assets.

In November 2013, we acquired a mixed-use residential and commercial property located at 315 West 33rd Street, New York, New York for \$386.8 million. Based on our preliminary analysis of the purchase price, we allocated \$116.0 million and \$270.8 million to land and building, respectively. During the three months ended March 31, 2014, we finalized the purchase price allocation based on a third party appraisal and additional facts and circumstances that existed at the acquisition date and reclassified \$33.2 million and \$7.8 million to values for above-market and in-place leases and below-market leases, respectively. These adjustments did not have a material impact to our consolidated statement of income for the nine months ended September 30, 2014.

## Pro Forma

The following table summarizes, on an unaudited pro forma basis, the results of operations of 388-390 Greenwich Street, which are included in the consolidated statement of income, and our consolidated results of operations for the three and nine months ended September 30, 2014 and 2013 as though the acquisition of our joint venture partner's interest in 388-390 Greenwich Street was completed on January 1, 2013. The supplemental pro forma data is not necessarily indicative of what the actual results of operations would have been assuming the transactions had been completed as set forth above, nor do they purport to represent our results of operations for future periods.

(In thousands, except per share amounts)	Three Months Ended		Nine Months Ended September	
	September 30,	2013	30,	2013
	2014		2014	
Actual revenues since acquisition	\$28,481		\$43,378	
Actual net income since acquisition	9,213		86,057	
Pro forma revenues	390,393	366,235	1,175,593	1,102,973
Pro forma income from continuing operations	40,576	27,361	255,713	149,764
Pro forma basic earnings per share	0.68	0.44	4.02	1.52
Pro forma diluted earnings per share	0.68	0.44	4.00	1.52

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Pro forma basic earnings per unit	0.68	0.44	4.02	1.52
Pro forma diluted earnings per unit	0.68	0.44	4.00	1.52

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The pro forma income from continuing operations for the three and nine months ended September 30, 2014 and 2013 includes the effect of the new financing necessary to complete the acquisition and the preliminary allocation (1) of purchase price in connection with the changes in depreciation and amortization. In addition, the pro forma income from continuing operations for the nine months ended September 30, 2013 was adjusted to include the purchase price fair

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value adjustment, as though the acquisition was completed on January 1, 2013. The pro forma income from continuing operations for the three and nine months ended September 30, 2014 excludes this purchase price fair value adjustment.

**4. Properties Held for Sale and Dispositions**

In September 2014, we, along with our joint venture partner, entered into an agreement to sell the property at 180 Maiden Lane for \$470.0 million. This transaction is expected to close during the fourth quarter of 2014, subject to the satisfaction of customary closing conditions.

In June 2014, we entered into a contract to sell our leased fee interest in 2 Herald Square for \$365.0 million. This transaction is expected to close during the fourth quarter of 2014, subject to the satisfaction of customary closing conditions.

In July 2014, we sold our fee interest and development rights in 985-987 Third Avenue for \$68.7 million and recognized a gain on sale of \$29.8 million. The sale was made in conjunction with the sale of an adjacent parcel, which we did not own.

In May 2014, we sold our leasehold interest in 673 First Avenue for \$145.0 million and recognized a gain on sale of \$117.6 million.

Discontinued operations included the results of operations of real estate assets under contract or sold prior to September 30, 2014. This included 180 Maiden Lane and 2 Herald Square, which were both held for sale at September 30, 2014, 985-987 Third Avenue and 673 First Avenue, which were sold in July 2014 and May 2014, respectively, and 44 West 55th Street, 333 West 34th Street and 300 Main Street, which were sold in February, August, and September of 2013, respectively.

The following table summarizes net income from discontinued operations for the three and nine months ended September 30, 2014 and 2013 (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2014	2013	2014	2013
Revenues				
Rental revenue, net	\$9,504	\$23,606	\$44,676	\$73,738
Escalation and reimbursement revenues	(194	) 3,748	4,413	11,459
Other income	—	9	21	523
Total revenues	9,310	27,363	49,110	85,720
Operating expenses	773	5,149	7,101	16,624
Real estate taxes	787	4,170	6,618	12,533
Ground rent	—	2,196	3,001	5,778
Interest expense, net of interest income	2,874	4,877	10,983	15,019
Amortization of deferred financing costs	48	210	369	630
Depreciable real estate reserves	—	—	—	2,150
Depreciation and amortization	678	3,311	5,434	13,133
Transaction related costs, net of recoveries	115	15	155	2
Total expenses	5,275	19,928	33,661	65,869
Net income from discontinued operations	\$4,035	\$7,435	\$15,449	\$19,851

**5. Debt and Preferred Equity Investments**

During the nine months ended September 30, 2014 and 2013, our debt and preferred equity investments, net of discounts and deferred origination fees, increased \$476.6 million and \$497.4 million, respectively, due to originations,

purchases, accretion of reserves, discounts and paid-in-kind interest. We recorded repayments, participations and sales of \$348.5 million and \$530.2 million during the nine months ended September 30, 2014 and 2013, respectively, which offset the increases in debt and preferred equity investments.

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## Debt Investments

As of September 30, 2014 and December 31, 2013, we held the following debt investments with an aggregate weighted average current yield of 10.72% at September 30, 2014 (in thousands):

Loan Type	September 30, 2014 Funding Obligations	September 30, 2014 Senior Financing	September 30, 2014 Carrying Value(1)	December 31, 2013 Carrying Value(1)	Initial Maturity Date
Fixed Rate Investments:					
Jr. Mortgage Participation	\$—	\$398,500	\$11,913	\$11,856	March 2015
Jr. Mortgage Participation/Mezzanine Loan	—	205,000	70,080	68,319	February 2016
Jr. Mortgage Participation/Mezzanine Loan	—	164,744	45,355	44,742	May 2016
Mezzanine Loan	—	177,000	14,298	15,012	May 2016
Jr. Mortgage Participation	—	133,000	49,000	49,000	June 2016
Mezzanine Loan	—	165,000	71,592	71,312	November 2016
Jr. Mortgage Participation/Mezzanine Loan <sup>(2)</sup>	—	1,109,000	97,101	26,884	March 2017
Other <sup>(2)</sup>	—	—	65,674	54,099	March 2017
Mezzanine Loan <sup>(3)</sup>	19,555	521,750	21,456	20,954	June 2017
Mezzanine Loan	—	539,000	50,412	—	July 2018
Mortgage Loan <sup>(4)</sup>	—	—	26,196	—	February 2019
Mortgage Loan	—	—	667	—	August 2019
Mezzanine Loan	—	15,000	3,500	3,500	September 2021
Mezzanine Loan <sup>(5)</sup>	—	90,000	19,929	19,926	November 2023
Total fixed rate	\$19,555	\$3,517,994	\$547,173	\$385,604	
Floating Rate Investments:					
Mezzanine Loan	15,309	50,000	29,650	—	April 2015
Mortgage/Mezzanine Loan	—	—	109,252	—	June 2015
Mezzanine Loan	—	110,000	49,482	49,110	September 2015
Mezzanine Loan	8,262	110,295	41,675	27,662	December 2015
Mezzanine Loan	—	775,000	73,602	72,823	March 2016
Mezzanine Loan <sup>(6)</sup>	—	160,000	22,561	22,526	June 2016
Mezzanine Loan	—	115,000	24,909	25,590	July 2016
Mezzanine Loan	8,448	172,105	28,855	25,725	November 2016
Mezzanine Loan	333	33,833	11,825	11,798	December 2016
Mortgage/Mezzanine Loan	3,130	109,351	38,186	—	July 2017
Mortgage/Mezzanine Loan	—	—	22,786	—	July 2017
Mortgage/Mezzanine Loan	—	—	16,835	—	September 2017
Jr. Mortgage Participation/Mezzanine Loan	—	55,000	20,538	20,553	July 2018
Mortgage/Mezzanine Loan	—	—	17,996	—	February 2019
Mezzanine Loan	—	38,000	21,798	—	March 2019

Mortgage Loan <sup>(7)</sup>	—	—	—	30,000
Jr. Mortgage Participation <sup>(8)</sup>	—	—	—	24,046

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(unaudited)

Loan Type	September 30, 2014 Funding Obligations	September 30, 2014 Senior Financing	September 30, 2014 Carrying Value(1)	December 31, 2013 Carrying Value(1)	Initial Maturity Date
Jr. Mortgage Participation/Mezzanine Loan <sup>(8)</sup>	—	—	—	131,724	
Mezzanine Loan <sup>(9)</sup>	—	—	—	59,892	
Jr. Mortgage Participation <sup>(9)</sup>	—	—	—	10,873	
Mezzanine Loan <sup>(9)</sup>	—	—	—	38,549	
Total floating rate	\$35,482	\$1,728,584	\$529,950	\$550,871	
Total	\$55,037	\$5,246,578	1,077,123	936,475	
Loan loss reserve			—	(1,000	)
Total			\$1,077,123	\$935,475	

(1) Carrying value is net of discounts, original issue discounts and deferred origination fees.

During the three months ended March 31, 2014, we recognized \$10.1 million of previously unaccrued interest income as deemed collectible as a result of the subsequent sale of the property, which closed in June 2014. In

(2) connection with the sale of the underlying property, our existing \$66.7 million mezzanine loan was defeased and is now shown separately, as it is collateralized by defeasance securities. The buyer assumed our \$30.0 million participating interest on the mortgage and we acquired a \$67.3 million participating interest on the mezzanine loan.

Carrying value is net of \$41.3 million that was participated out, which is included in other assets and other (3) liabilities on the consolidated balance sheets as a result of the transfer not meeting the conditions for sale accounting.

In September 2014, we acquired a \$26.4 million mortgage loan at a \$0.2 million discount and a \$5.7 million junior (4) mortgage participation at a \$5.7 million discount. The junior mortgage participation was a nonperforming loan at acquisition and is currently on a non-accrual status.

(5) Carrying value is net of \$5.0 million that was participated out, which is included in other assets and other liabilities on the consolidated balance sheets as a result of the transfer not meeting the conditions for sale accounting.

(6) Carrying value is net of \$7.4 million that was participated out, which is included in other assets and other liabilities on the consolidated balance sheets as a result of the transfer not meeting the conditions for sale accounting.

(7) This loan was repaid in May 2014.

(8) This loan was repaid in July 2014.

(9) This loan was repaid in August 2014.

## Preferred Equity Investments

As of September 30, 2014 and December 31, 2013, we held the following preferred equity investments with an aggregate weighted average current yield of 9.76% at September 30, 2014 (in thousands):

Type	September 30, 2014 Senior Financing	September 30, 2014 Carrying Value (1)	December 31, 2013 Carrying Value (1)	Initial Mandatory Redemption
Preferred equity <sup>(2)</sup>	\$550,000	\$121,158	\$115,198	July 2015
Preferred equity <sup>(2)</sup>	926,260	224,720	218,330	July 2016
Preferred equity	70,000	9,950	9,940	November 2017

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Preferred equity <sup>(3)</sup>	—	—	25,896
	\$1,546,260	\$355,828	\$369,364

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(1) Carrying value is net of discounts and deferred origination fees.

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

(3) This preferred equity investment was redeemed in April 2014.

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

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(unaudited)

The following table is a rollforward of our total loan loss reserves at September 30, 2014 and December 31, 2013 (in thousands):

	September 30, 2014	December 31, 2013
Balance at beginning of year	\$1,000	\$7,000
Expensed	—	—
Recoveries	—	—
Charge-offs and reclassifications	(1,000	) (6,000
Balance at end of period	\$—	\$1,000

At September 30, 2014 and December 31, 2013, all debt and preferred equity investments were performing in accordance with the terms of the relevant investments, except for the nonperforming loan acquired in September 2014 as noted in the debt investments table above.

We have determined that we have one portfolio segment of financing receivables at September 30, 2014 and December 31, 2013 comprising commercial real estate which is primarily recorded in debt and preferred equity investments. Included in other assets is an additional amount of financing receivables totaling \$132.6 million and \$172.8 million at September 30, 2014 and December 31, 2013, respectively. No financing receivables were 90 days past due at September 30, 2014.

#### 6. Investments in Unconsolidated Joint Ventures

We have investments in several real estate joint ventures with various partners, including Ivanhoe Cambridge, Inc., formerly SITQ Immobilier, a subsidiary of Caisse de depot et placement du Quebec, SITQ, Canada Pension Plan Investment Board, or CPPIB, Prudential Real Estate Investors, or Prudential, Onyx Equities, or Onyx, The Witkoff Group, or Witkoff, Credit Suisse Securities (USA) LLC, or Credit Suisse, Jeff Sutton, or Sutton, Harel Insurance and Finance, or Harel, Louis Cappelli, or Cappelli, The Moinian Group, or Moinian, Vornado Realty Trust (NYSE: VNO), or Vornado, Plaza Global Real Estate Partners LP, or Plaza, Lehman Bros., as well as private investors. All the investments below are voting interest entities, except for 650 Fifth Avenue, 33 Beekman and 3 Columbus Circle which are VIEs in which we are not the primary beneficiary as of September 30, 2014 and December 31, 2013. Prior to the acquisition of our joint venture partner's interest in May 2014, 388-390 Greenwich was also a VIE. Prior to the sale of the property in September 2014, 180-182 Broadway was a VIE. Our net equity investment in these VIEs was \$174.4 million and \$310.7 million at September 30, 2014 and December 31, 2013, respectively. As we do not control the joint ventures listed below, we account for them under the equity method of accounting.

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(unaudited)

The table below provides general information on each of our joint ventures as of September 30, 2014 (amounts in thousands):

Property	Partner	Ownership Interest	Economic Interest	Square Feet	Acquisition Date	Acquisition Price <sup>(1)</sup>
100 Park Avenue	Prudential	49.90%	49.90%	834	January 2000	\$95,800
717 Fifth Avenue	Sutton/Private Investor	10.92%	10.92%	120	September 2006	251,900
800 Third Avenue	Private Investors	42.95%	42.95%	526	December 2006	285,000
1745 Broadway	Witkoff/SITQ/Lehman Bros.	32.26%	32.26%	674	April 2007	520,000
1 and 2 Jericho Plaza	Onyx/Credit Suisse	20.26%	20.26%	640	April 2007	210,000
The Meadows	Onyx	50.00%	50.00%	582	September 2007	111,500
600 Lexington Avenue	CPPIB	55.00%	55.00%	304	May 2010	193,000
11 West 34th Street	Private Investor/Sutton	30.00%	30.00%	17	December 2010	10,800
7 Renaissance	Cappelli	50.00%	50.00%	37	December 2010	4,000
3 Columbus Circle <sup>(2)</sup>	Moinian	48.90%	48.90%	769	January 2011	500,000
280 Park Avenue	Vornado	50.00%	49.50%	1,237	March 2011	400,000
1552-1560 Broadway <sup>(3)</sup>	Sutton	50.00%	50.00%	49	August 2011	136,550
724 Fifth Avenue	Sutton	50.00%	50.00%	65	January 2012	223,000
10 East 53rd Street	CPPIB	55.00%	55.00%	390	February 2012	252,500
33 Beekman <sup>(4)</sup>	Harel/Naftali	45.90%	45.90%	145	August 2012	31,000
521 Fifth Avenue	Plaza	50.50%	50.50%	460	November 2012	315,000
21 East 66th Street <sup>(5)</sup>	Private Investors	32.28%	32.28%	17	December 2012	75,000
315 West 36th Street	Private Investors	35.50%	35.50%	148	December 2012	45,000
650 Fifth Avenue <sup>(6)</sup>	Sutton	50.00%	50.00%	32	November 2013	—
121 Greene Street	Sutton	50.00%	50.00%	7	September 2014	28,200

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

As a result of the sale of a condominium interest in September 2012, Young & Rubicam, Inc., or Y&R, owns a (2) portion of the property, generally floors three through eight referred to as Y&R units. Because the joint venture has an option to repurchase the Y&R units, the gain associated with this sale was deferred.

The purchase price pertained only to the purchase of the 1552 Broadway interest which comprised 13,045 square (3) feet. The joint venture also owns a long-term leasehold interest in the retail space and certain other spaces at 1560 Broadway, which is adjacent to 1552 Broadway.

The joint venture owns a fee interest in the property and will develop an approximately 30 story building for (4) student housing. Upon completion of the development, the joint venture will convey a long-term ground lease condominium interest in the building to Pace.

We hold a 32.28% interest in three retail and two residential units at the property and a 16.14% interest in four (5) residential units at the property.

(6) The joint venture owns a long-term leasehold interest in the retail space at 650 Fifth Avenue. In connection with the ground lease obligation, SLG provided a performance guaranty and Sutton executed a contribution agreement to reflect its pro rata obligation. In the event the property is converted into a condominium unit and the landlord elects the purchase option, the joint venture shall be obligated to acquire the unit at the then fair value. In October 2014, the joint venture closed on a \$97.0 million floating rate leasehold mortgage with an initial funding of \$65.0

million.

In September 2014, we, along with our joint venture partners, sold all our interests in 180 Broadway, including the underlying property at an implied gross valuation of \$222.5 million. We recognized a promote of \$3.3 million and a gain of \$16.5 million on the sale of the property.

In May 2014, we sold our 33.33% partnership interest in the joint venture which owns 100% interest as tenant-in-common in 30 East 65th Street Corporation and the related proprietary lease of five cooperative apartment units in the property located at 747 Madison Avenue at an implied gross valuation of \$160.0 million, inclusive of the \$33.1 million mortgage encumbering the property. We recognized a promote of \$10.3 million and originated a \$30.0 million preferred equity investment. Given our continuing involvement as a preferred equity holder, we deferred the gain on sale of \$13.1 million as we did not meet the requisites of a sale under the full accrual method. We, along with our joint venture partners, retained one apartment unit at this property.

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(unaudited)

In March 2014, we sold our 43.74% economic ownership interest in the joint venture which holds the West Coast Office portfolio at an implied gross valuation of \$756.0 million, inclusive of the \$526.3 million mortgage encumbering the property. We recognized a gain of \$85.5 million on the sale of our investment.

In March 2014, we closed on the origination of a \$100.0 million acquisition and equity participating financing consisting of a \$60.0 million mezzanine loan and a \$40.0 million preferred equity, which are both due to mature in March 2016, subject to three one-year extension options and a two-year option for the last extension. These loans, which were previously accounted for as debt and preferred equity investments, were reclassified to investments in unconsolidated joint ventures as a result of meeting the criteria of a real estate investment under the guidance for ADC arrangements. We have accounted for this wholly-owned investment under the equity method of accounting.

In January 2014, we sold our 49.90% partnership interest in the joint venture which holds 21-25 West 34th Street at an implied gross valuation of \$114.9 million, inclusive of the \$100.0 million mortgage encumbering the property. We recognized a gain of \$20.9 million on the sale of our investment. We, along with our joint venture partner, retained approximately 91,300 square feet of development rights at this property.

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(unaudited)

We generally finance our joint ventures with non-recourse debt. However, in certain cases we have provided guarantees or master leases for tenant space. These guarantees and master leases terminate upon the satisfaction of specified circumstances or repayment of the underlying loans. The senior mortgage notes and other loans payable collateralized by the respective joint venture properties and assignment of leases at September 30, 2014 and December 31, 2013, respectively, are as follows (amounts in thousands):

Property	Maturity Date	Interest Rate(1)	September 30, 2014	December 31, 2013
<b>Fixed Rate Debt:</b>				
7 Renaissance	December 2015	10.00	% \$1,868	\$1,276
11 West 34th Street	January 2016	4.82	% 16,982	17,205
280 Park Avenue	June 2016	6.57	% 701,928	706,886
1745 Broadway	January 2017	5.68	% 340,000	340,000
1 and 2 Jericho Plaza	May 2017	5.65	% 163,750	163,750
800 Third Avenue	August 2017	6.00	% 20,910	20,910
315 West 36th Street	December 2017	3.16	% 25,000	25,000
717 Fifth Avenue <sup>(2)</sup>	July 2022	4.45	% 300,000	300,000
21 East 66th Street	April 2023	3.60	% 12,000	12,000
717 Fifth Avenue <sup>(2)</sup>	July 2024	9.00	% 311,698	304,000
388 and 390 Greenwich Street <sup>(3)</sup>	—	—	—	996,082
100 Park Avenue <sup>(4)</sup>	—	—	—	209,786
21 West 34th Street <sup>(5)</sup>	—	—	—	100,000
1604-1610 Broadway <sup>(6)</sup>	—	—	—	27,000
Total fixed rate debt			\$1,894,136	\$3,223,895
<b>Floating Rate Debt:</b>				
The Meadows	September 2015	7.75	% 67,350	67,350
3 Columbus Circle <sup>(7)</sup>	April 2016	2.34	% 233,058	239,233
1552 Broadway <sup>(8)</sup>	April 2016	4.21	% 180,885	158,690
Other loan payable	June 2016	1.06	% 30,000	30,000
10 East 53rd Street	February 2017	2.66	% 125,000	125,000
724 Fifth Avenue <sup>(9)</sup>	April 2017	2.58	% 275,000	120,000
33 Beekman <sup>(10)</sup>	August 2017	2.91	% 43,707	18,362
600 Lexington Avenue	October 2017	2.24	% 117,717	120,616
521 Fifth Avenue	November 2019	2.36	% 170,000	170,000
100 Park Avenue <sup>(4)</sup>	February 2021	1.91	% 360,000	—
21 East 66th Street	June 2033	2.88	% 1,902	1,959
388 and 390 Greenwich Street <sup>(3)</sup>	—	—	—	142,297
747 Madison Avenue	—	—	—	33,125
West Coast Office portfolio <sup>(11)</sup>	—	—	—	526,290
180/182 Broadway <sup>(12)</sup>	—	—	—	89,893
Total floating rate debt			\$1,604,619	\$1,842,815
Total joint venture mortgages and other loans payable			\$3,498,755	\$5,066,710

(1) Effective weighted average interest rate for the three months ended September 30, 2014, taking into account interest rate hedges in effect during the period.

These loans are comprised of a \$300.0 million fixed rate mortgage loan and \$290.0 million mezzanine loan. The (2) mezzanine loan is subject to accretion based on the difference between contractual interest rate and contractual pay rate.



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(unaudited)

(3) In May 2014, we acquired the interest of our joint venture thereby consolidating the entity. Simultaneous with the acquisition, we refinanced the mortgage and incurred a net loss on early extinguishment of debt of \$2.4 million.

(4) In February 2014, the joint venture replaced the previous fixed rate mortgage with a \$360.0 million, seven-year floating rate, mortgage and incurred a net loss on early extinguishment of \$3.2 million.

(5) In January 2014, we sold our interest in the joint venture, inclusive of our share of the joint venture debt.

This loan was in default since November 2009 due to the non-payment of debt service. In January 2014, the joint venture relinquished its ground lease position to the lender. During the nine months ended September 30, 2014, we recognized \$7.7 million of incentive income, which is included in other income on the consolidated statements of income.

(6) The joint venture has the ability to increase the mortgage by \$40.0 million based on meeting certain performance hurdles. In connection with this obligation, we executed a master lease agreement and our joint venture partner executed a contribution agreement to reflect its pro rata obligation under the master lease. The lien on the mortgage and the master lease excludes the condominium interest owned by Y&R. See Note 2 of prior table.

(7) These loans are comprised of a \$150.0 million mortgage loan and a \$41.5 million mezzanine loan and are subject to two one-year extension options. As of September 30, 2014, \$5.7 million of the mortgage loan and \$4.9 million of the mezzanine loan remained unfunded.

(8) In April 2014, the joint venture refinanced the previous mortgage with a \$235.0 million mortgage and a \$40.0 million mezzanine loan and incurred a net loss on early extinguishment of debt of \$1.2 million.

(9) This loan has a committed amount of \$75.0 million, which is recourse to us. Our partner has indemnified us for its pro rata share of the recourse guarantee. A portion of the guarantee terminates upon the joint venture reaching certain milestones. We believe it is unlikely that we will be required to perform under this guarantee.

(10) In March 2014, we sold our interest in the joint venture, inclusive of our share in the joint venture debt.

(11) In September 2014, the joint venture sold the property and repaid the debt.

We act as the operating partner and day-to-day manager for all our joint ventures, except for 800 Third Avenue, 1 and 2 Jericho Plaza, 280 Park Avenue, 3 Columbus Circle and The Meadows. We are entitled to receive fees for providing management, leasing, construction supervision and asset management services to our joint ventures. We earned \$3.8 million, \$15.0 million, \$3.5 million and \$7.5 million from these services for the three and nine months ended September 30, 2014 and 2013, respectively. In addition, we have the ability to earn incentive fees based on the ultimate financial performance of certain of the joint venture properties.

The combined balance sheets for the unconsolidated joint ventures, at September 30, 2014 and December 31, 2013, are as follows (in thousands):

	September 30, 2014	December 31, 2013
Assets		
Commercial real estate property, net	\$4,850,149	\$6,846,021
Other assets	746,234	827,282
Total assets	\$5,596,383	\$7,673,303
Liabilities and members' equity		
Mortgages and other loans payable	\$3,498,755	\$5,066,710
Other liabilities	474,427	596,960
Members' equity	1,623,201	2,009,633
Total liabilities and members' equity	\$5,596,383	\$7,673,303
Company's investments in unconsolidated joint ventures	\$996,842	\$1,113,218



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

Notes to Consolidated Financial Statements (cont.)

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(unaudited)

The combined statements of income for the unconsolidated joint ventures, from acquisition date through the three and nine months ended September 30, 2014 and 2013 are as follows (in thousands):

	Three Months Ended September		Nine Months Ended September	
	30,		30,	
	2014	2013	2014	2013
Total revenues	\$114,831	\$156,571	\$406,464	\$462,776
Operating expenses	18,530	29,211	63,575	86,027
Ground rent	2,638	657	7,295	1,972
Real estate taxes	15,867	19,105	48,209	53,368
Interest expense, net of interest income	40,885	56,169	137,949	169,137
Amortization of deferred financing costs	2,837	2,869	9,496	12,454
Transaction related costs, net of recoveries	501	—	565	—
Depreciation and amortization	28,324	49,402	107,786	144,552
Total expenses	109,582	157,413	374,875	467,510
Loss on early extinguishment of debt	—	—	(6,743	) —
Net income (loss) before gain on sale	\$5,249	\$(842	) \$24,846	\$(4,734
Company's equity in net income from unconsolidated joint ventures	\$6,034	\$2,939	\$20,781	\$4,251

## 7. Deferred Costs

Deferred costs at September 30, 2014 and December 31, 2013 consisted of the following (in thousands):

	September 30,	December 31,
	2014	2013
Deferred leasing	\$353,316	\$326,379
Deferred financing	199,081	157,088
	552,397	483,467
Less accumulated amortization	(241,537	) (216,409
Deferred costs, net	\$310,860	\$267,058

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

Notes to Consolidated Financial Statements (cont.)

September 30, 2014

(unaudited)

## 8. Mortgages and Other Loans Payable

The first mortgages and other loans payable collateralized by the respective properties and assignment of leases at September 30, 2014 and December 31, 2013 were as follows (amounts in thousands):

Property	Maturity Date	Interest Rate(1)	September 30, 2014	December 31, 2013
<b>Fixed Rate Debt:</b>				
125 Park Avenue <sup>(2)</sup>	October 2014	5.75	% \$ 146,250	\$ 146,250
711 Third Avenue	June 2015	4.99	% 120,000	120,000
625 Madison Avenue	November 2015	7.27	% 116,383	120,830
500 West Putnam Avenue	January 2016	5.52	% 23,112	23,529
Landmark Square	December 2016	4.00	% 81,685	82,909
485 Lexington Avenue	February 2017	5.61	% 450,000	450,000
120 West 45th Street	February 2017	6.12	% 170,000	170,000
762 Madison Avenue	February 2017	3.75	% 8,087	8,211
2 Herald Square <sup>(3)</sup>	April 2017	5.36	% 191,250	191,250
885 Third Avenue	July 2017	6.26	% 267,650	267,650
388-390 Greenwich Street <sup>(4)</sup>	June 2018	3.80	% 504,000	—
Other loan payable <sup>(5)</sup>	September 2019	8.00	% 50,000	50,000
One Madison Avenue	May 2020	5.91	% 571,284	587,336
100 Church	July 2022	4.68	% 229,472	230,000
919 Third Avenue <sup>(6)</sup>	June 2023	5.12	% 500,000	500,000
400 East 57th Street	February 2024	4.13	% 69,201	70,000
400 East 58th Street	February 2024	4.13	% 29,658	30,000
420 Lexington Avenue <sup>(7)</sup>	October 2024	6.77	% 300,000	182,641
1515 Broadway	March 2025	3.93	% 900,000	900,000
Series J Preferred Units <sup>(8)</sup>	April 2051	3.75	% 4,000	—
609 Partners, LLC <sup>(9)</sup>	—	—	—	23
Total fixed rate debt			\$4,732,032	\$4,130,629
<b>Floating Rate Debt:</b>				
Master repurchase agreement <sup>(10)</sup>	December 2014	3.37	% 100,000	91,000
180 Maiden Lane <sup>(11)</sup>	November 2016	2.34	% 256,152	262,706
388-390 Greenwich Street <sup>(4)</sup>	June 2018	1.91	% 946,000	—
248-252 Bedford Avenue <sup>(12)</sup>	June 2019	1.66	% 29,000	22,000
220 East 42nd Street	October 2020	1.76	% 275,000	275,000
16 Court Street <sup>(13)</sup>	0	0	—	79,243
Total floating rate debt			\$1,606,152	\$729,949
Total mortgages and other loans payable <sup>(14)</sup>			\$6,338,184	\$4,860,578

(1) Effective weighted average interest rate for the three months ended September 30, 2014, taking into account interest rate hedges in effect during the period.

(2) This loan was repaid at maturity.

(3) This property is held for sale at September 30, 2014 and the related mortgage is included in liabilities related to assets held for sale.

(4)

Simultaneous with the acquisition of our joint venture partner's interest, we refinanced the \$1.1 billion floating rate mortgage with a \$1.5 billion seven-year floating rate mortgage, and have consolidated the property.

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

(6) We own a 51.0% controlling interest in the joint venture that is the borrower on this loan.

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(unaudited)

In September 2014, we refinanced the \$181.0 million fixed rate mortgage with a \$300.0 million 10-year fixed rate (7) mortgage and incurred a loss on early extinguishment of debt of \$24.5 million, which consisted mainly of a prepayment penalty fee.

In connection with the acquisition of a commercial real estate property, the Operating Partnership issued \$4.0 million or 4,000 3.75% Series J Preferred Units of limited partnership interest, of the Series J Preferred Units, with (8) a mandatory liquidation preference of \$1,000.00 per unit. The Series J Preferred Units can be redeemed in cash by the Operating Partnership on the earlier of (i) the date of the sale of the property or (ii) April 30, 2051 or at the option of the unitholders as further prescribed in the related agreement.

(9) In April 2014, the remaining 22,658 Series E Preferred Units of the Operating Partnership were canceled.

(10) The Master Repurchase Agreement, or MRA, has a maximum facility capacity of \$300.0 million.

(11) In connection with this consolidated joint venture obligation, we executed a master lease agreement. Our partner has executed a contribution agreement to reflect its pro rata share of the obligation under the master lease. This property is held for sale at September 30, 2014 and the related mortgage is included in liabilities related to assets held for sale.

(12) In June 2014, we replaced the previous floating rate mortgage with a \$29.0 million, five-year floating rate mortgage and incurred a net loss on early extinguishment of debt of \$0.5 million.

(13) In April 2014, we repaid the loan and incurred a loss on early extinguishment of debt of \$0.5 million.

(14) Includes mortgages related to 2 Herald Square and 180 Maiden, which are currently held for sale.

The gross book value of the properties and debt and preferred equity investments collateralizing the mortgages and other loans payable was \$9.5 billion and \$8.0 billion at September 30, 2014 and December 31, 2013, respectively.

## 9. Corporate Indebtedness

### 2012 Credit Facility

In March 2014, we entered into an amendment to the \$1.6 billion credit facility entered into by the Company in November 2012, or the 2012 credit facility, which, among other things, increased the term loan portion of the 2012 credit facility by \$383.0 million to \$783.0 million, decreased the interest-rate margin applicable to the term loan facility by 25 basis points and extended the maturity of the term loan portion of the facility from March 30, 2018 to June 30, 2019. The 2012 credit facility, as amended, consists of a \$1.2 billion revolving credit facility, or the revolving credit facility, and a \$783.0 million term loan facility, or the term loan facility. The revolving credit facility matures in March 2017 and includes two six-month as-of-right extension options, subject to the payment of an extension fee of 10 basis points for each such extension. We also have an option, subject to customary conditions, without the consent of existing lenders, to increase the capacity under the revolving credit facility to \$1.5 billion at any time prior to the maturity date for the revolving credit facility, by obtaining additional commitments from our existing lenders and other financial institutions.

The 2012 credit facility bears interest at a spread over LIBOR ranging from (i) 100 basis points to 175 basis points for loans under the revolving credit facility and (ii) 95 basis points to 190 basis points for loans under the term loan facility, in each case based on the credit rating assigned to the senior unsecured long term indebtedness of ROP. At September 30, 2014, the applicable spread was 145 basis points for the revolving credit facility and 140 basis points for the term loan facility. At September 30, 2014, the effective interest rate was 1.61% for the revolving credit facility and 1.64% for the term loan facility. We are required to pay quarterly in arrears a 15 to 35 basis point facility fee on the total commitments under the revolving credit facility based on the credit rating assigned to the senior unsecured long term indebtedness of ROP. As of September 30, 2014, the facility fee was 30 basis points. At September 30, 2014, we had \$113.3 million of outstanding letters of credit, \$244.0 million drawn under the revolving credit facility

and \$783.0 million outstanding under the term loan facility, with total undrawn capacity of \$0.8 billion under the revolving credit facility.

In connection with the amendment of the 2012 credit facility, we incurred debt origination and other loan costs of \$2.8 million. We evaluated the modification pursuant to ASC 470 and determined that the terms of the amendment were not substantially different from the terms of the previous 2012 credit facility. As a result, these deferred costs and the unamortized balance of the costs previously incurred are amortized through the extended maturity date of the term loan facility.

The Company, the Operating Partnership and ROP are all borrowers jointly and severally obligated under the 2012 credit facility. None of our other subsidiaries are obligors under the 2012 credit facility.

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

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(unaudited)

## Senior Unsecured Notes

The following table sets forth our senior unsecured notes and other related disclosures as of September 30, 2014 and December 31, 2013 by scheduled maturity date (amounts in thousands):

Issuance	September 30, September 30, December 31,			Coupon Rate(1)	Effective Rate	Term (in Years)	Maturity Date
	2014 Unpaid Principal Balance	2014 Accreted Balance	2013 Accreted Balance				
March 31, 2006 <sup>(2)</sup>	\$ 255,308	\$ 255,238	\$ 255,206	6.00	% 6.00	% 10	March 31, 2016
October 12, 2010 <sup>(3)</sup>	345,000	306,187	297,837	3.00	% 3.00	% 7	October 15, 2017
August 5, 2011 <sup>(4)</sup>	250,000	249,728	249,681	5.00	% 5.00	% 7	August 15, 2018
March 16, 2010 <sup>(4)</sup>	250,000	250,000	250,000	7.75	% 7.75	% 10	March 15, 2020
November 15, 2012 <sup>(4)</sup>	200,000	200,000	200,000	4.50	% 4.50	% 10	December 1, 2022
June 27, 2005 <sup>(2)(5)</sup>	7	7	7	4.00	% 4.00	% 20	June 15, 2025
March 26, 2007 <sup>(6)</sup>	10,008	10,008	10,701	3.00	% 3.00	% 20	March 30, 2027
August 13, 2004 <sup>(2)(7)</sup>	—	—	75,898				
	\$ 1,310,323	\$ 1,271,168	\$ 1,339,330				

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

(2) Issued by ROP.

Issued by the Operating Partnership. Interest on these exchangeable notes is payable semi-annually on April 15 and October 15. The notes had an initial exchange rate representing an exchange price that was set at a 30.0% premium to the last reported sale price of SL Green's common stock on October 6, 2010, or \$85.81. The initial exchange rate is subject to adjustment under certain circumstances. The current exchange rate is 12.0660 shares of SL Green's common stock per \$1,000 principal amount of these notes. The notes are senior unsecured obligations of the

(3) 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 SL Green's common stock, if any, at our option. The notes are guaranteed by ROP. On the issuance date, \$78.3 million of the debt balance was recorded in equity. As of September 30, 2014, \$38.8 million remained to be amortized into the debt balance.

(4) Issued by the Company, the Operating Partnership and ROP, as co-obligors.

Exchangeable senior debentures which are currently callable at par. In addition, the debentures can be put to ROP, at the option of the holder at par plus accrued and unpaid interest, on June 15, 2015 and 2020 and upon the occurrence of certain change of control transactions. As a result of the acquisition of all outstanding shares of

(5) common stock of Reckson, or the Reckson Merger, the adjusted exchange rate for the debentures is 7.7461 shares of SL Green's common stock per \$1,000 of principal amount of debentures and the adjusted reference dividend for the debentures is \$1.3491.

(6) Issued by the Operating Partnership. Interest on these remaining exchangeable notes is payable semi-annually on March 30 and September 30. The notes have an initial exchange rate representing an exchange price that was set at a 25.0% premium to the last reported sale price of the Company's common stock on March 20, 2007, or \$173.30. The initial exchange rate is subject to adjustment under certain circumstances. The notes are senior unsecured obligations of the Operating Partnership and are exchangeable upon the occurrence of specified events and during the period beginning on the twenty-second scheduled trading day prior to the maturity date and ending on the



second business day prior to the maturity date, into cash or a combination of cash and shares of SL Green's common stock, if any, at our option. The notes are currently redeemable at the Operating Partnership's option. The Operating Partnership may be required to repurchase the notes on March 30, 2017 and 2022, and upon the occurrence of certain designated events.

(7) In August 2014, these notes were repaid at maturity.

#### Restrictive Covenants

The terms of the 2012 credit facility, as amended, and certain of our senior unsecured notes include certain restrictions and covenants which may limit, among other things, our ability to pay dividends, make certain types of investments, incur additional indebtedness, incur liens and enter into negative pledge agreements and dispose of assets, and which require compliance with financial ratios relating to the minimum amount of tangible net worth, a maximum ratio of total indebtedness to total asset value, a minimum ratio of EBITDA to fixed charges, a maximum ratio of secured indebtedness to total asset value and a maximum ratio of unsecured indebtedness to unencumbered asset value. The dividend restriction referred to above provides that, we will not during any time when a default is continuing, make distributions with respect to common stock or other equity interests, except to enable the Company to continue to qualify as a REIT for Federal income tax purposes. As of September 30, 2014, we were in compliance with all such covenants.

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## Junior Subordinate Deferrable Interest Debentures

In June 2005, the Company and the Operating Partnership issued \$100.0 million in unsecured trust preferred securities through a newly formed trust, SL Green Capital Trust I, or the Trust, which is a wholly-owned subsidiary of the Operating Partnership. The securities mature in 2035 and bear interest at a fixed rate of 5.61% for the first ten years ending July 2015. Thereafter, the interest rate will float at three-month LIBOR plus 125 basis points. Interest payments may be deferred for a period of up to eight consecutive quarters if the Operating Partnership exercises its right to defer such payments. The Trust preferred securities are redeemable at the option of the Operating Partnership, in whole or in part, with no prepayment premium. We do not consolidate the Trust even though it is a variable interest entity as we are not the primary beneficiary. Because the Trust is not consolidated, we have recorded the debt on our consolidated balance sheets and the related payments are classified as interest expense.

## Principal Maturities

Combined aggregate principal maturities of mortgages and other loans payable, the 2012 credit facility, trust preferred securities, senior unsecured notes and our share of joint venture debt as of September 30, 2014, including as-of-right extension options, were as follows (in thousands):

	Scheduled Amortization	Principal Repayments	Revolving Credit Facility	Trust Preferred Securities	Term Loan and Senior Unsecured Notes	Total	Joint Venture Debt
Remaining 2014	\$ 11,038	\$ 146,250	\$—	\$—	\$—	\$ 157,288	\$ 2,454
2015	44,701	329,537	—	—	7	374,245	44,446
2016	54,158	338,762	(1) —	—	255,308	648,228	564,269
2017	61,063	1,086,579	(1) —	—	355,008	1,502,650	446,950
2018	64,462	—	244,000	—	250,000	558,462	28
Thereafter	274,230	3,927,404	—	100,000	1,233,000	5,534,634	353,580
	\$ 509,652	\$ 5,828,532	(1) \$ 244,000	\$ 100,000	\$ 2,093,323	\$ 8,775,507	\$ 1,411,727

(1) Principal repayments include the mortgages at 180 Maiden Lane and 2 Herald Center, which are included in liabilities related to assets held for sale.

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

	Three Months Ended September 30, 2014		Nine Months Ended September 30, 2013	
Interest expense	\$ 83,158	\$ 78,770	\$ 238,285	\$ 234,303
Interest income	(782)	(544)	(1,861)	(1,441)
Interest expense, net of interest income	\$ 82,376	\$ 78,226	\$ 236,424	\$ 232,862
Interest capitalized	\$ 7,972	\$ 3,091	\$ 18,689	\$ 10,082

## 10. Related Party Transactions

## Cleaning/ Security/ Messenger and Restoration Services

Through Alliance Building Services, or Alliance, First Quality Maintenance, L.P., or First Quality, provides cleaning, extermination and related services, Classic Security LLC provides security services, Bright Star Couriers LLC provides messenger services, and Onyx Restoration Works provides restoration services with respect to certain properties owned by us. Alliance is partially owned by Gary Green, a son of Stephen L. Green, the chairman of SL

Green's board of directors. In addition, First Quality has the non-exclusive opportunity to provide cleaning and related services to individual tenants at our properties on a basis separately negotiated with any tenant seeking such additional services. The Service Corporation has entered into an arrangement with Alliance whereby it will receive a profit participation above a certain threshold for services provided by Alliance to certain tenants at certain buildings above the base services specified in their lease agreements. Income earned from profit participation, which is included in other income on the consolidated statements of income, was \$0.9 million, \$2.8 million, \$0.8 million and \$2.7 million for the three and nine months ended September 30, 2014 and 2013, respectively. We also recorded expenses of \$5.9 million, \$14.7 million,

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\$5.9 million and \$16.0 million for the three and nine months ended September 30, 2014 and 2013, respectively, for these services (excluding services provided directly to tenants).

**Marketing Services**

A-List Marketing, LLC, or A-List, provides marketing services to us. Deena Wolff, a sister of Marc Holliday, our chief executive officer, is the owner of A-List. We recorded approximately \$26,800, \$121,600, \$50,700 and \$158,000 for the three and nine months ended September 30, 2014 and 2013, respectively, for these services.

**Leases**

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

**Management Fees**

S.L. Green Management Corp., a consolidated entity, receives property management fees from an entity in which Stephen L. Green owns an interest. We received management fees from such entity of approximately \$114,300, \$330,700, \$105,200 and \$318,900 for the three and nine months ended September 30, 2014 and 2013, respectively.

**Other**

Amounts due from related parties at September 30, 2014 and December 31, 2013 consisted of the following (in thousands):

	September 30, 2014	December 31, 2013
Due from joint ventures	\$1,260	\$2,376
Other	12,002	6,154
Related party receivables	\$13,262	\$8,530

**11. Noncontrolling Interests on the Company's Consolidated Financial Statements**

Noncontrolling interests represent the common and preferred units of limited partnership interest in the Operating Partnership not held by the Company as well as third party equity interests in our other consolidated subsidiaries. Noncontrolling interests in the Operating Partnership are shown in the mezzanine equity while the noncontrolling interests in our other consolidated subsidiaries are shown in the equity section of the Company's consolidated financial statements.

**Common Units of Limited Partnership Interest in the Operating Partnership**

As of September 30, 2014 and December 31, 2013, the noncontrolling interest unit holders owned 3.75%, or 3,735,478 units, and 2.96%, or 2,902,317 units, of the Operating Partnership, respectively. At September 30, 2014, 3,735,478 shares of SL Green's common stock were reserved for issuance upon redemption of units of limited partnership interest of the Operating Partnership.

Noncontrolling interests in the Operating Partnership is recorded at the greater of its cost basis or fair market value based on the closing stock price of SL Green's common stock at the end of the reporting period.

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