

SL GREEN REALTY CORP  
Form 10-Q  
November 10, 2008  
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**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

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**FORM 10-Q**

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

**For the quarterly period ended September 30, 2008**

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

**For the transition period from            to            .**

**Commission File Number: 1-13199**

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# SL GREEN REALTY CORP.

(Exact name of registrant as specified in its charter)

**Maryland**  
(State or other jurisdiction of  
incorporation or organization)

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

**420 Lexington Avenue, New York, New York 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. YES  NO

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

Large accelerated filer  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).

YES  NO

The number of shares outstanding of the registrant's common stock, \$0.01 par value, was 57,043,374 as of October 31, 2008.

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Table of Contents**PART I. FINANCIAL INFORMATION****ITEM 1. Financial Statements****SL Green Realty Corp.****Condensed Consolidated Balance Sheets**

(Amounts in thousands, except per share data)

	September 30, 2008 (Unaudited)	December 31, 2007
<b><u>Assets</u></b>		
Commercial real estate properties, at cost:		
Land and land interests	\$ 1,400,042	\$ 1,436,569
Building and improvements	5,590,822	5,924,626
Building leasehold and improvements	1,251,626	1,249,093
Property under capital lease	12,208	12,208
	8,254,698	8,622,496
Less: accumulated depreciation	(498,885)	(381,510)
	7,755,813	8,240,986
Assets held for sale	120,120	41,568
Cash and cash equivalents	711,147	45,964
Restricted cash	105,834	105,475
Tenant and other receivables, net of allowance of \$15,282 and \$13,932 in 2008 and 2007, respectively	39,054	49,015
Related party receivables	10,556	13,082
Deferred rents receivable, net of allowance of \$13,533 and \$13,400 in 2008 and 2007, respectively	152,718	136,595
Structured finance investments, net of discount of \$24,335 and \$30,783 in 2008 and 2007, respectively	926,931	805,215
Investments in unconsolidated joint ventures	1,139,918	1,438,123
Deferred costs, net	135,949	134,354
Other assets	393,189	419,701
Total assets	\$ 11,491,229	\$ 11,430,078
<b><u>Liabilities and Stockholders Equity</u></b>		
Mortgage notes payable	\$ 2,693,275	\$ 2,844,644
Revolving credit facility	1,288,833	708,500
Term loan and unsecured notes	1,793,860	2,069,938
Accrued interest payable and other liabilities	33,367	45,194
Accounts payable and accrued expenses	154,158	180,898
Deferred revenue/gain	462,734	819,022
Capitalized lease obligation	16,662	16,542
Deferred land leases payable	17,559	16,960
Dividend and distributions payable	51,268	52,077
Security deposits	34,105	35,021
Liabilities related to assets held for sale	309,166	
Junior subordinate deferrable interest debentures held by trusts that issued trust preferred securities	100,000	100,000
Total liabilities	6,954,987	6,888,796

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Commitments and Contingencies

Minority interest in operating partnership	<b>88,460</b>	82,007
Minority interests in other partnerships	<b>556,262</b>	632,400

**Stockholders Equity**

Series C preferred stock, \$0.01 par value, \$25.00 liquidation preference, 6,300 issued and outstanding at September 30, 2008 and December 31, 2007, respectively	<b>151,981</b>	151,981
Series D preferred stock, \$0.01 par value, \$25.00 liquidation preference, 4,000 issued and outstanding at September 30, 2008 and December 31, 2007, respectively	<b>96,321</b>	96,321
Common stock, \$0.01 par value 160,000 shares authorized and 60,400 and 60,071 issued and outstanding at September 30, 2008 and December 31, 2007, respectively (including 2,794 and 1,312 treasury shares at September 30, 2008 and December 31, 2007, respectively)	<b>604</b>	601
Additional paid-in-capital	<b>2,970,757</b>	2,931,887
Treasury stock at cost	<b>(267,327)</b>	(150,719)
Accumulated other comprehensive (loss) income	<b>(13,728)</b>	4,943
Retained earnings	<b>952,912</b>	791,861
Total stockholders equity	<b>3,891,520</b>	3,826,875
Total liabilities and stockholders equity	<b>\$ 11,491,229</b>	\$ 11,430,078

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

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## SL Green Realty Corp.

## Condensed Consolidated Statements of Income

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2008	2007	2008	2007
<b>Revenues</b>				
Rental revenue, net	\$ 199,437	\$ 179,248	\$ 589,508	\$ 487,820
Escalation and reimbursement	32,311	29,365	92,277	83,774
Preferred equity and investment income	23,420	21,848	63,028	70,990
Other income	13,505	14,790	87,424	127,754
Total revenues	268,673	245,251	832,237	770,338
<b>Expenses</b>				
Operating expenses (including approximately \$3,622, \$10,600 (2008) and \$3,618, \$10,595 (2007) paid to affiliates)	61,134	55,428	169,553	151,842
Real estate taxes	31,546	30,395	96,830	91,415
Ground rent	7,709	8,674	23,784	23,705
Interest	69,118	66,165	214,563	186,351
Amortization of deferred financing costs	1,604	1,652	4,780	14,195
Depreciation and amortization	54,554	47,246	164,137	124,983
Marketing, general and administrative	26,603	22,224	86,992	80,602
Total expenses	252,268	231,784	760,639	673,093
Income from continuing operations before equity in net income of unconsolidated joint ventures, gain on sale, minority interest and discontinued operations	16,405	13,467	71,598	97,245
Equity in net income from unconsolidated joint ventures	12,292	11,302	49,540	32,715
Income from continuing operations before gain on sale, minority interest and discontinued operations	28,697	24,769	121,138	129,960
Equity in net gain on sale of interest in unconsolidated joint ventures/ real estate	9,533		103,014	31,509
Minority interest in other partnerships	1,373	(3,695)	(7,691)	(11,736)
Minority interest in operating partnership attributable to continuing operations	(1,359)	(298)	(7,782)	(5,482)
Income from continuing operations	38,244	20,776	208,679	144,251
Net income (loss) from discontinued operations, net of minority interest	297	2,547	(1,418)	15,525
Gain on sale of discontinued operations, net of minority interest		80,214	105,979	367,007
Net income	38,541	103,537	313,240	526,783
Preferred stock dividends	(4,969)	(4,969)	(14,906)	(14,907)
Net income available to common stockholders	\$ 33,572	\$ 98,568	\$ 298,334	\$ 511,876
<b>Basic earnings per share:</b>				
Net income from continuing operations before gain on sale and discontinued operations	\$ 0.41	\$ 0.27	\$ 1.63	\$ 1.69
Net income (loss) from discontinued operations, net of minority interest	0.01	0.04	(0.02)	0.26
Gain on sale of discontinued operations, net of minority interest		1.35	1.81	6.26
Gain on sale of unconsolidated joint ventures/ real estate	0.16		1.70	0.52

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Net income available to common stockholders	\$	<b>0.58</b>	\$	1.66	\$	<b>5.12</b>	\$	8.73
<b>Diluted earnings per share:</b>								
Net income from continuing operations before gain on sale and discontinued operations	\$	<b>0.41</b>	\$	0.26	\$	<b>1.62</b>	\$	1.67
Net income (loss) from discontinued operations, net of minority interest		<b>0.01</b>		0.04		<b>(0.02)</b>		0.26
Gain on sale of discontinued operations, net of minority interest				1.34		<b>1.80</b>		6.18
Gain on sale of unconsolidated joint ventures/ real estate		<b>0.16</b>				<b>1.69</b>		0.51
Net income available to common stockholders	\$	<b>0.58</b>	\$	1.64	\$	<b>5.09</b>	\$	8.62
Dividends per share	\$	<b>0.7875</b>	\$	0.70	\$	<b>2.3625</b>	\$	2.10
Basic weighted average common shares outstanding		<b>58,113</b>		59,432		<b>58,307</b>		58,649
Diluted weighted average common shares and common share equivalents outstanding		<b>60,716</b>		62,411		<b>60,985</b>		61,915

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

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## SL Green Realty Corp.

## Condensed Consolidated Statement of Stockholders' Equity

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

	Series C Preferred Stock	Series D Preferred Stock	Common Stock Shares	Common Stock Par Value	Additional Paid In-Capital	Treasury Stock	Accumulated Other Comprehensive Income (Loss)	Retained Earnings	Total	Comprehensive Income
<b>Balance at</b>										
<b>December 31, 2007</b>	\$ 151,981	\$ 96,321	58,759	\$ 601	\$ 2,931,887	\$ (150,719)	\$ 4,943	\$ 791,861	\$ 3,826,875	
Comprehensive Income:										
Net income								313,240	313,240	\$ 313,240
Net unrealized loss on derivative instruments							(1,361)		(1,361)	(1,361)
SL Green's share of joint venture net unrealized loss on derivative instruments							(17,310)		(17,310)	(17,310)
Preferred dividends								(14,906)	(14,906)	
Redemption of units and DRIP proceeds			1		233				233	
Deferred compensation plan & stock award, net			132	1	472				473	
Amortization of deferred compensation plan					31,108				31,108	
Proceeds from stock options exercised			196	2	7,057				7,059	
Treasury stock-at cost			(1,482)			(116,608)			(116,608)	
Cash distribution declared (\$2.3625 per common share of which none represented a return of capital for federal income tax purposes)								(137,283)	(137,283)	
<b>Balance at</b>										
<b>September 30, 2008</b>	\$ 151,981	\$ 96,321	57,606	\$ 604	\$ 2,970,757	\$ (267,327)	\$ (13,728)	\$ 952,912	\$ 3,891,520	\$ 294,569

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

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## SL Green Realty Corp.

## Condensed Consolidated Statements of Cash Flows

(Unaudited, and amounts in thousands)

	Nine Months Ended September 30,	
	2008	2007
<b>Operating Activities</b>		
Net income	\$ 313,240	\$ 526,783
Adjustment to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	172,191	145,983
Gain on sale of discontinued operations	(110,232)	(382,568)
Equity in net income from unconsolidated joint ventures	(49,540)	(32,715)
Equity in net gain on sale of unconsolidated joint ventures	(103,014)	(31,509)
Distributions of cumulative earnings from unconsolidated joint ventures/ real estate	58,404	33,287
Minority interests	19,451	34,105
Deferred rents receivable	(30,206)	(36,358)
Other non-cash adjustments	9,904	30,507
Changes in operating assets and liabilities:		
Restricted cash operations	(2,851)	(15,239)
Tenant and other receivables	4,997	(16,145)
Related party receivables	2,625	(25,755)
Deferred lease costs	(26,849)	(21,944)
Other assets	(24,972)	17,232
Accounts payable, accrued expenses and other liabilities	(31,042)	83,669
Deferred revenue and land lease payable	11,232	9,054
Net cash provided by operating activities	213,338	318,387
<b>Investing Activities</b>		
Acquisitions of real estate property	(67,751)	(4,215,109)
Proceeds from Asset Sale		1,964,914
Additions to land, buildings and improvements	(92,234)	(57,107)
Escrowed cash capital improvements/acquisition deposits	1,064	135,054
Investments in unconsolidated joint ventures	(24,050)	(285,355)
Distributions in excess of cumulative earnings from unconsolidated joint ventures	448,305	78,990
Net proceeds from disposition of real estate/ partial interest in property	152,933	872,672
Other investments	(6,892)	(166,030)
Structured finance and other investments net of repayments/participations	(144,566)	(241,867)
Net cash provided by (used in) investing activities	266,809	(1,913,838)
<b>Financing Activities</b>		
Proceeds from mortgage notes payable	161,577	809,914
Repayments of mortgage notes payable	(19,316)	(122,455)
Proceeds from revolving credit facility, term loan and unsecured notes	1,560,986	2,956,689
Repayments of revolving credit facility and term loan	(1,257,302)	(2,355,313)
Proceeds from stock options exercised	7,292	10,948
Purchases of treasury stock	(116,608)	(94,071)
Minority interest in other partnerships	8,168	531,808
Dividends and distributions paid	(152,189)	(133,657)
Deferred loan costs and capitalized lease obligation	(7,572)	(27,491)
Net cash provided by financing activities	185,036	1,576,372
Net increase (decrease) in cash and cash equivalents	665,183	(19,079)
Cash and cash equivalents at beginning of period	45,964	117,178
Cash and cash equivalents at end of period	\$ 711,147	\$ 98,099

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

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**SL Green Realty Corp.**

**Notes to Condensed Consolidated Financial Statements**

**(Unaudited)**

**September 30, 2008**

**1. Organization and Basis of Presentation**

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

Substantially all of our assets are held by, and our operations are conducted through, the operating partnership. The Company is the sole managing general partner of the operating partnership. As of September 30, 2008, minority investors held, in the aggregate, a 3.9% limited partnership interest in the operating partnership.

On January 25, 2007, we completed the acquisition, or the Reckson Merger, of all of the outstanding shares of common stock of Reckson Associates Realty Corp., or Reckson, pursuant to the terms of the Agreement and Plan of Merger, dated as of August 3, 2006, as amended, the Merger Agreement, among SL Green, Wyoming Acquisition Corp., or Wyoming, Wyoming Acquisition GP LLC, Wyoming Acquisition Partnership LP, Reckson and Reckson Operating Partnership, L.P., or ROP. Pursuant to the terms of the Merger Agreement, each of the issued and outstanding shares of common stock of Reckson were converted into (i) \$31.68 in cash, (ii) 0.10387 of a share of the common stock, par value \$0.01 per share, of SL Green and (iii) a prorated dividend in an amount equal to approximately \$0.0977 in cash. We also assumed an aggregate of approximately \$226.3 million of Reckson mortgage debt, approximately \$287.5 million of Reckson convertible public debt and approximately \$967.8 million of Reckson public unsecured notes. ROP is a subsidiary of our operating partnership.

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

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related entities, which were purchased by a 50/50 joint venture comprised of the buyer and an affiliate of SL Green; (6) a 50% participation interest in certain loans made by a subsidiary of ROP that are secured by four real property assets located in Long Island, New York; and (7) 100% of certain loans secured by real property located in White Plains and New Rochelle, New York.

As of September 30, 2008, we owned the following interests in commercial office properties in the New York Metro area, primarily in midtown Manhattan, a borough of New York City, or Manhattan. Our investments in the New York Metro area also include investments in Brooklyn, Queens, Long Island, Westchester County, Connecticut and New Jersey, which are collectively known as the Suburban assets:

Location	Ownership	Number of Properties	Square Feet	Weighted Average Occupancy (1)
Manhattan	Consolidated properties	22	14,290,200	97.9%
	Unconsolidated properties	8	9,429,000	94.4%
Suburban	Consolidated properties	30	4,925,800	90.6%
	Unconsolidated properties	6	2,941,700	94.1%
		<b>66</b>	<b>31,586,700</b>	<b>95.4%</b>

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

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**SL Green Realty Corp.**

**Notes to Condensed Consolidated Financial Statements**

**(Unaudited)**

**September 30, 2008**

We also own investments in eight retail properties encompassing approximately 400,212 square feet, two development properties encompassing approximately 363,000 square feet and two land interests. In addition, we manage three office properties owned by third parties and affiliated companies encompassing approximately 1.0 million rentable square feet.

As of September 30, 2008, we also owned approximately 15.8% of the outstanding common stock of Gramercy Capital Corp. (NYSE: GKK), or Gramercy, as well as 78.4 units, or 78.4%, of the Class B limited partner interest in Gramercy's operating partnership. See Note 6.

**Partnership Agreement**

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

**Basis of Quarterly Presentation**

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and notes required by accounting principles generally accepted in the United States for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for fair presentation have been included. The 2008 operating results for the period presented are not necessarily indicative of the results that may be expected for the year ending December 31, 2008. These financial statements should be read in conjunction with the financial statements and accompanying notes included in our annual report on Form 10-K for the year ended December 31, 2007.

The balance sheet at December 31, 2007 has been derived from the audited financial statements at that date but does not include all the information and footnotes required by accounting principles generally accepted in the United States for complete financial statements.

## 2. Significant Accounting Policies

### Principles of Consolidation

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

In June 2005, the FASB ratified the consensus in EITF Issue No. 04-5, or EITF 04-5, Determining Whether a General Partner, or the General Partners as a Group, Controls a Limited Partnership or Similar Entity When the Limited Partners Have Certain Rights, which provides guidance in determining whether a general partner controls a limited partnership. EITF 04-5 states that the general partner in a limited partnership is presumed to control that limited partnership. The presumption may be overcome if the limited partners have either (1) the substantive ability to dissolve the limited partnership or otherwise remove the general partner without cause or (2) substantive participating rights, which provide the limited partners with the ability to effectively participate in significant decisions that would be expected to be made in the ordinary course of the limited partnership's business and thereby preclude the general partner from exercising unilateral control over the partnership.

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

If we retain an interest in the buyer and provide certain guarantees we account for such transaction as a profit-sharing arrangement. For transactions treated as profit-sharing arrangements, we record a profit-sharing obligation for the amount of equity contributed by the other partner and continue to keep the property and related accounts recorded on our books. Any debt assumed by the buyer would continue to be recorded on our books. The results of operations of the property, net of expenses other than depreciation (net operating

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**SL Green Realty Corp.**

**Notes to Condensed Consolidated Financial Statements**

**(Unaudited)**

**September 30, 2008**

income), are allocated to the other partner for its percentage interest and reflected as co-venture expense in our consolidated financial statements. In future periods, a sale is recorded and profit is recognized when the remaining maximum exposure to loss is reduced below the amount of gain deferred.

**Investment in Commercial Real Estate Properties**

In accordance with SFAS No. 141, Business Combinations, we allocate the purchase price of real estate to land and building and, if determined to be material, intangibles, such as the value of above-, below- and at-market leases and origination costs associated with the in-place leases. We depreciate the amount allocated to building and other intangible assets over their estimated useful lives, which generally range from three to 40 years and from one to 14 years, respectively. The values of the above- and below-market leases are amortized and recorded as either an increase (in the case of below-market leases) or a decrease (in the case of above-market leases) to rental income over the remaining term of the associated lease, which range from one to 14 years. The value associated with in-place leases are amortized over the expected term of the associated lease, which includes an estimated probability of the lease renewal, and its estimated term, which range from one to 14 years. If a tenant vacates its space prior to the contractual termination of the lease and no rental payments are being made on the lease, any unamortized balance of the related intangible will be written off. The tenant improvements and origination costs are amortized as an expense over the remaining life of the lease (or charged against earnings if the lease is terminated prior to its contractual expiration date). We assess fair value of the leases based on estimated cash flow projections that utilize appropriate discount and capitalization rates and available market information. Estimates of future cash flows are based on a number of factors including the historical operating results, known trends, and market/economic conditions that may affect the property.

As a result of our evaluations, under SFAS No. 141, of acquisitions made, we recognized an increase of approximately \$7.3 million, \$16.9 million, \$1.7 million and \$3.0 million in rental revenue for the three and nine months ended September 30, 2008 and 2007, respectively, for the amortization of aggregate below-market rents in excess of above-market leases and a reduction in lease origination costs, resulting from the allocation of the purchase price of the applicable properties. We recognized a reduction in interest expense for the amortization of the above-market rate mortgage of approximately \$1.7 million, \$5.1 million, \$1.7 million and \$4.4 million for the three and nine months ended September 30, 2008 and 2007, respectively.

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

	September 30, 2008	December 31, 2007
Identified intangible assets (included in other assets):		

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Gross amount	\$	<b>236,594</b>	\$	236,594
Accumulated amortization		<b>(50,595)</b>		(9,970)
Net	\$	<b>185,999</b>	\$	226,624
Identified intangible liabilities (included in deferred revenue):				
Gross amount	\$	<b>480,770</b>	\$	480,770
Accumulated amortization		<b>(83,587)</b>		(20,271)
Net	\$	<b>397,183</b>	\$	460,499

**Income Taxes**

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

Pursuant to amendments to the Code that became effective January 1, 2001, we have elected, and may in the future, elect to treat certain of our existing or newly created corporate subsidiaries as taxable REIT subsidiaries, or a TRS. In general, a TRS of ours may perform non-customary services for our tenants, hold assets that we cannot hold directly and generally may engage in any real estate or non-real estate related business. Our TRSs generate income, resulting in Federal income tax liability for these entities. Our TRSs recorded approximately \$0.4 million and \$3.0 million in Federal, state and local tax expense during the nine months ended September 30, 2008 and 2007, respectively, of which \$0.8 million and \$0.8 million, respectively, had been paid.

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**SL Green Realty Corp.**

**Notes to Condensed Consolidated Financial Statements**

**(Unaudited)**

**September 30, 2008**