SL GREEN
REALTY CORP.

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Via email: LLPComments@FDIC.gov

Ms. Sheila C. Bair
Chairman
Federal Deposit Insurance Corporation
550 17th Street, NW.
Washington, DC 20429.

Re: Response to Request for Comment on the Legacy Loan Program

Dear Chairman Bair:

SL Green Realty Corp. is pleased to submit this comment letter to the FDIC with respect to the Legacy Loans Program (the "Program"). SL Green is publicly traded on the New York Stock Exchange under the symbol SLG, and is the largest owner of commercial office properties in New York City. The Company is organized as a real estate investment trust, with in-house capabilities in property management, operations, acquisitions, financing, development, construction and leasing. As of March 31, 2009, we owned 63 commercial office properties covering over 30 million square feet in the New York metropolitan area. While the Company's primary focus is midtown Manhattan, we also have substantial investments in Fairfield County in Connecticut and Westchester County in New York. In addition to our direct investments in real estate, the Company has made over $2.2 billion of commercial real estate mortgage and mezzanine loans since 1998. We have extensive experience in investing across all asset types and capital structure and have a strong track record of asset management for both equity and debt investments.

We appreciate this opportunity to provide comments on the Program, as we believe that the Program, together with the other financial recovery programs announced by the administration, will help restore stability in the financial markets and look forward to participating in it so long as the detailed terms of the Program are consistent with our investment objectives. We hope our comments provided below are helpful in shaping the Program. Should you have any questions regarding our responses or wish to discuss our thoughts regarding the Program further, please feel free to contact Andrew S. Levine at 212-216-1615 or andrew.levine@slgreen.com.

Our responses to the FDIC's questions are as follows:

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1. Which asset categories should be eligible for sale through the LLP? Should the program initially focus only on legacy real estate assets or should any asset on bank balance sheets be eligible for sale? Are there specific portfolios where there would be more or less interest in selling through the LLP?

   - *The program should initially focus on the legacy real estate assets currently clogging bank balance sheets. These legacy real estate assets should be split up based on property type (i.e., office, hotel, vacant land, shopping malls, multifamily, single-family), geography, and loan type (i.e., mortgage loans, mezzanine loans, construction loans and REOs) in order to maximize the pricing efficiency. In doing so, investors will be able to focus on the asset types and geographic markets in which they have most expertise and therefore are most comfortable underwriting. Investors' ability to focus on asset types and geography within their areas of expertise will allow assets to be underwritten most effectively and efficiently. Portfolios comprised of large loans should be a focus of the Program, as liquidity in those types of loans appear to be most constrained.*

2. Should the initial investors be permitted to pledge, sell or transfer their interests in the PPIF? If so, how should the FDIC ensure that subsequent investors meet the program's criteria for investors?

   - *It is important that the Program provide for liquidity in order to attract private capital. Therefore, investors should have the ability (i) to pledge their interests in the PPIF to banks and other financial institutions and lenders in connection with corporate financings, and (ii) to sell or transfer their interests in the PPIF to a qualified transferee, which must satisfy the program's criteria for investors.*

3. What is the appropriate percentage of government equity participation which will maximize returns for taxpayers while assuring integrity in the pricing by private investors? How would a higher investment percentage on the part of the government impact private investment in PPIFs? Should the amount of the government's investment depend on the type of portfolio?

4. Is there any reason that investors' identities should not be made publicly available?

   - *No. In fact, the investors' identities, particularly the investors holding control and/or to be agreed upon equity interests in a PPIF, should be made publicly available for an open and transparent process. However, if a successful bidder is a venture composed of multiple parties, then disclosure should be of the control partners and investors having significant shares in the venture.*

5. How can the FDIC best encourage a broad and diverse range of investment participation? How can the FDIC best structure the valuation and bidding process to motivate sellers to bring assets to the PPIF?

    - *As stated above in Question 4, an open and transparent process with a clear set of guidelines will encourage investors to participate. On the other hand, any potential for retroactive change of the terms of the debt or equity financing by the government or any other legislative changes that alter the profitability of the investments to the detriment of the private investors will discourage investors.*

      Also, creating PPIFs which focus solely or primarily on specific asset classes with appropriate sizes should encourage a broad and diverse range of participation by inviting investors to invest in the asset types and markets in which they have most expertise. See response to Question 1 above.

      Additionally, rather than giving the selling banks the unilateral and final right to decide whether to transact at the end of an auction by accepting or rejecting a bid (which we believe will chill the process), the participating sellers should be obligated to accept the highest so long as it is above a reserve price. The reserve prices should be established by participating sellers, should be reasonable (as determined by the FDIC with the assistance of third party valuation consultants), and should be made available to potential bidders. Requiring the sellers to sell to a highest bidder with a bid above the reserve price would provide a certainty of execution.

6. What type of auction process facilitates the broadest investor participation? Should we require investors to bid on the entire equity stake of a PPIF, or should we allow investors to bid on partial stakes in a PPIF? If the latter, would a Dutch auction process or some other structure provide the best mechanism for bridging the potential gap between what investors might bid and recoverable value? If multiple investors are allowed to bid through a Dutch auction, or similar process, how should asset management control be determined?

    - *Investors should be required to bid on the entire equity stake of a PPIF. Partial stakes should only be permitted if the partial stake were to be considered a stand-alone investment separate and apart from the other partial stakes in the PPIF with separate control, resolution and liquidation features. We do not envision the Program being set up as one where the FDIC is providing a vehicle for disparate investors to be brought together by the FDIC under a to-be-determined management structure. Not only would that be cumbersome to arrange, but we also don't believe it will allow for an efficient auction process. Instead, minimum criteria for investors should be established, with those criteria being able to be satisfied by aggregating the investors within a venture.*

7. What priorities (i.e., types of assets) should the FDIC consider in deciding which pools to set for the initial PPIF auctions?

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8. What are the optimal size and characteristics of a pool for a PPIF?

    - *See responses to questions 1 and 6 above. With respect to the optimal size, we would envision pools having a minimum size of $500 million. As to a pool's characteristics, as we noted above, the most important common denominator should be the specific asset type. Geographic concentration is also an important determinant.*

9. What parameters of the note and its rate structure would be essential for a potential private capital investor to know at the time of the equity auction to provide equity?

    - *Investors will need to know the percentage of leverage, loan size, duration, rate, amortization requirement, if any, prepayment rights, conditions for release of assets, change of control restrictions, non-recourse provisions, and any cash management structure prior to bid submission, identified for each specific pool. With respect to term, it should not be shorter than the longest term of the assets (the underlying legacy loans), preferably with extension options. With respect to the rate, investors should also be permitted to accrue interest if the cash flow from the pool of assets is insufficient to cover the required debt service payment.*

10. Would it be preferable for the selling bank to take a note from the PPIF in exchange for the pool of loans and other assets that it sells? Alternatively, what would be the advantages and disadvantages of structuring the program so that the PPIF issues debt publicly in order to pay cash to the selling bank? Would a public issuance of debt by the PPIF limit its flexibility compared to the issuance of a note to a selling bank?

    - *To the extent that a selling bank is prepared to take back a note, that would clearly expedite the closing process and insure a smoother execution. Following the auction, the selling bank could then convert that "seller financing", backed by the FDIC guarantee, into cash if the selling institution needs cash. Publicly issued debt would only be an alternative as a "take-out" of the seller financing. Having to put publicly issued debt into place ahead of the auction does not seem practical.*

11. In return for its guarantee of the debt of the PPIF, the FDIC will be paid an annual fee based on the amount of debt outstanding. Should the guarantee fee be adjusted based on the risk characteristics of the underlying pool or other criteria?

    - *No, the risk characteristics are already factored in. The amount of the debt is determined after taking the risk characteristics into consideration and the FDIC's annual fee is based on the outstanding debt amount.*

12. Should the program include provisions under which the government would increase its participation in any investment returns that exceed a specified trigger level? If so, what would be the appropriate level and how should that participation be structured?

    - *The government's return should not be increased based upon the ultimate outcome, since the government is not the active participant in achieving a successful realization. In fact, it will be the private investors that will be committing significant time, resources, and capital to diligence, underwrite and manage the assets with the end goal of creating significant value. Therefore, if the returns exceed a certain to-be-agreed upon level, then the economic splits should be promoted to the private investors.*

13. Should the program permit multiple selling banks to pool assets for sale? If so, what constraints should be applied to such pooling arrangements? How can the PPIF structure equitably accommodate participation by smaller institutions? Under what process would proceeds be allocated to selling banks if they pool assets?

    - *From the perspective of an investor, creating asset pools of sufficient size is critical to the success of the investment. We believe that permitting multiple selling banks to pool similar assets for sale is one way to achieve that goal.*

14. What are the potential conflicts which could arise among LLP participants? What structural arrangements and safeguards should the FDIC put into place to address or mitigate those concerns?

15. What should the relative role of the government and private sector be in the selection and oversight of asset managers? How can the FDIC most effectively oversee asset management to protect the government's investment, while providing flexibility for working assets in a way which promotes profitability for both public and private investors?

    - *Private investors should have the right to select the asset managers subject to FDIC's reasonable approval. Private investors should also have the right to make asset management decisions, except for certain major decisions which may be subject to FDIC's reasonable approval. Inability to control the management of the underlying pools of loans would deter private investors from participating.*

16. How should on-going servicing requirements of underlying assets be sold to a PPIF and paid for? Should value be separately attributed to control of the servicing rights?

    - *Servicing is a critical component of loan assets, which is even more acutely the case in achieving a successful resolution in loans which require restructure or modification. Private investors which* *meet applicable servicing standards, as promulgated by the rating agencies, need to be able to make the servicing decisions needed on these investments. Therefore, servicing of the underlying asserts must be included as part of the PPIF, and bid prices should reflect that. As part of the bid, bidders should demonstrate that they have the applicable ratings necessary to service and specially servicer the loan assets on which they are bidding, or have contracts in place with rated servciers to do so.*

17. Should data used by the independent valuation consultant, as well as results of such consultant's analysis, be made available to potential bidders? Should it be made available to potential sellers prior to their decision to submit assets to bid?

- *Yes, the due diligence materials as well as the results of the consultant's analysis should be made available to potential bidders. With respect to potential sellers, however, it is critical for the success of the program to have sellers bring assets to the PPIF. Premature disclosure of such analysis may have an unintended consequence of delaying or thwarting that effort. In order to avoid such unintended consequences, the disclosure to potential sellers should be made after the sellers have fully committed to sell above a reserve price.*

We hope you find these comments instructive in formulating the final structure and bidding for the Legacy Loans Program. From our understanding of the Program to date, we believe it will provide an ample opportunity to free up capital particularly for commercial real estate while minimizing the government's exposure and affording private investors a sufficient return to make the Program attractive. To the extent that you would like us to elaborate on any of our responses above, or to further discuss the Program, we would welcome the opportunity to meet with you at your convenience.

Very truly yours,