SL GREEN REALTY CORP
Form S-3ASR
June 17, 2010
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As filed with the Securities and Exchange Commission on June 17, 2010

Registration No. 333-

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM S-3

REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933

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 Number)

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420 Lexington Avenue
New York, New York 10170
(212) 594-2700

(Address, including zip code, and telephone number, including area code,
of registrants principal executive offices)

Marc Holliday
Chief Executive Officer
SL Green Realty Corp.
420 Lexington Avenue
New York, New York 10170
(212) 594-2700

(Name, address, including zip code, and telephone number, including
area code, of agent for service)

Copies to:

David J. Goldschmidt, Esq.
Skadden, Arps, Slate, Meagher & Flom LLP
Four Times Square
New York, New York 10036
(212) 735-3000

Approximate date of commencement of proposed sale to the public: From time to time after the effective date of this registration statement.

If the only securities being registered on this Form are being offered pursuant to dividend or interest reinvestment plans, please check the following box: o

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, other than securities offered only in connection with dividend or interest reinvestment plans, check the following box: x

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering: o

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering: o

If this Form is a registration statement pursuant to General Instruction I.D. or a post-effective amendment thereto that shall become effective upon filing with the Commission pursuant to Rule 462(e) under the Securities Act, check the following box: x

If this Form is a post-effective amendment to a registration statement filed pursuant to General Instruction I.D. filed to register additional securities or additional classes of securities pursuant to Rule 413(b) under the Securities Act, check the following box: o

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

Large accelerated filer x

Accelerated filer o

Non-accelerated filer o (Do not check if a smaller reporting company)

Smaller reporting company o

CALCULATION OF REGISTRATION FEE

Title of Each Class of Securities to Be Registered	Amount to Be Registered(1)	Proposed Maximum Offering Price Per Share(2)	Proposed Maximum Aggregate Offering Price(2)	Amount of Registration Fee(3)
Common stock (par value $.01 per share)	898,177	$ 59.12	$ 53,100,224	$ 3,786.05

(1) This registration statement also relates to such additional shares of common stock as may be issued in connection with a stock split, stock dividend or similar transaction, pursuant to Rule 416 of the Securities Act of 1933, as amended.

(2) Estimated pursuant to Rule 457(c) under the Securities Act of 1933, as amended, solely for the purpose of calculating the registration fee, based upon the average of the high and low reported sale prices of the common stock on the New York Stock Exchange on June 10, 2010.

(3) A filing fee of $18,131.00 was previously paid in connection with unsold shares of common stock registered under a registration statement on Form S-3 (Registration No. 333-143941) initially filed by SL Green Realty Corp. on June 21, 2007. Accordingly, pursuant to Rule 457(p) under the Securities Act of 1933, SL Green Realty Corp. is offsetting $3,786.05 of previously paid filing fees against the total filing fee of $3,786.05 due in connection with the filing of this registration statement.

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PROSPECTUS

898,177 Shares

Common Stock

This prospectus relates to the offer and sale from time to time of up to 898,177 shares, or the registered shares, of our common stock, par value $0.01 per share, by persons who receive such shares in exchange for the 3.00% Exchangeable Senior Notes due 2027, or the notes, issued by our operating partnership, SL Green Operating Partnership, L.P., or SLGOP, in a private placement on March 26, 2007. Under certain circumstances, we may issue shares of common stock upon the exchange or redemption of the notes. In such circumstances, the recipients of such common stock, whom we refer to collectively herein as the selling stockholders, may use this prospectus to resell from time to time the shares of common stock that we may issue to them upon the exchange or redemption of the notes. Additional selling stockholders may be named in a prospectus supplement, in a post-effective amendment, or in filings we make with the Securities and Exchange Commission under the Securities and Exchange Act of 1934, as amended, or the Exchange Act, which are incorporated by reference in this prospectus. The registration of the common stock to which this prospectus relates does not necessarily mean that any of the selling stockholders will exchange their notes for common stock, that upon any exchange or redemption of the notes we will elect, in our sole and absolute discretion, to exchange or redeem some or all of the notes for shares of common stock rather than cash, or that any shares of common stock received upon exchange or redemption of the notes will be sold by the selling stockholders.

Our common stock is listed on the New York Stock Exchange, or the NYSE, under the symbol SLG. On June 16, 2010, the closing sale price of our common stock on the NYSE was $62.70 per share.

Investing in our common stock involves risks that are described in the Risk Factors section of our Annual Report on Form 10-K for the year ended December 31, 2009 and other reports that we may file from time to time with the Securities and Exchange Commission, as discussed on page 1 herein.

The selling stockholders from time to time may offer and sell registered shares held by them directly or through agents or broker-dealers on terms to be determined at the time of sale. To the extent required, the names of any agent or broker-dealer and applicable commissions or discounts and any other required information with respect to any particular offer will be set forth in a prospectus supplement. Each of the selling stockholders reserves the right to accept or reject, in whole or in part, any proposed purchase of registered shares to be made directly or through agents.

The selling stockholders and any agents or broker-dealers that participate with the selling stockholders in the distribution of registered shares may be deemed to be underwriters within the meaning of the Securities Act of 1933, as amended, or the Securities Act, and any commissions received by them and any profit on the sale of registered shares may be deemed to be underwriting commissions or discounts under the Securities Act.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

The date of this prospectus is June 17, 2010.

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Our principal executive offices are located at 420 Lexington Avenue, New York, New York 10170 and our telephone number is (212) 594-2700.

You should rely only on the information contained or incorporated by reference in this prospectus and any accompanying prospectus supplement. We have not authorized anyone to provide you with different or additional information. If anyone provides you with different or additional information, you should not rely on it. We are not making an offer to sell these securities in any jurisdiction where the offer or sale is not permitted. The information appearing in this prospectus, any accompanying prospectus supplement and the documents incorporated by reference herein or therein is accurate only as of their respective dates or on other dates which are specified in those documents. Our business, financial condition, results of operations and prospects may have changed since those dates.

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ABOUT THIS PROSPECTUS

This prospectus provides you with a general description of the offered shares of common stock. Each time the selling stockholders sell any of these offered shares of common stock, the selling stockholders will provide you with this prospectus and a prospectus supplement or other offering material, if applicable, that will contain specific information about the terms of that sale and the manner by which such shares of common stock are offered. The prospectus supplement or other offering material also may add, update or change any information contained in this prospectus. You should read both this prospectus and any prospectus supplement or other offering material, together with additional information described under the heading Where You Can Find More Information. Information incorporated by reference after the date of this prospectus may add, update or change information contained in this prospectus. Any information in such subsequent filings that is inconsistent with this prospectus will supersede the information in this prospectus or any earlier prospectus supplement.

This prospectus is part of a registration statement on Form S-3 that we filed with the Securities and Exchange Commission, or SEC, under the Securities Act, using a shelf registration process. Under a shelf registration process, the selling stockholders may, from time to time, sell shares of common stock covered by this prospectus in one or more offerings. This prospectus and any accompanying prospectus supplement do not contain all of the information included in the registration statement. For further information, we refer you to the registration statement, including its exhibits, which can be read at the SEC s web site (*www.sec.gov*) or at the SEC s offices referred to under the heading Where You Can Find More Information. This prospectus contains summaries of certain provisions contained in some of the documents described herein, but reference is made to the actual documents for complete information. All of the summaries are qualified in their entirety by the actual documents. Copies of some of the documents referred to herein have been filed or will be filed or incorporated by reference as exhibits to the registration statement of which this prospectus is a part, and you may obtain copies of those documents as described under the heading Where You Can Find More Information. You should not assume that the information in this prospectus or any prospectus supplement is accurate as of any date other than the date of each document.

As used in this prospectus, unless the context otherwise requires, the terms we, us, our, SL Green and our company refer to SL Green Realty Corp. and all entities owned or controlled by SL Green Realty Corp., including SL Green Operating Partnership, L.P., our operating partnership. In addition, the term properties means those which we directly own by holding fee title, leasehold or otherwise or indirectly own, in whole or in part, by holding interests in entities that own such properties.

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RISK FACTORS

Investment in our securities involves a high degree of risk. You should carefully consider the risks described in the section Risk Factors contained in our Annual Report on Form 10-K for the year ended December 31, 2009, which has been filed with the SEC, in addition to the other information contained in this prospectus, in an applicable prospectus supplement, or incorporated by reference herein, before purchasing any of our securities. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial may also materially and adversely affect our business operations. Any of these risks described could materially adversely affect our business, financial condition, results of operations, or ability to make distributions to our stockholders. In such case, you could lose a portion or all of your original investment. In connection with the forward-looking statements that appear in or are incorporated by reference in this prospectus, you should carefully review the factors discussed in our Annual Report on Form 10-K for the year ended December 31, 2009 and the cautionary statements referred to in Forward-Looking Statements May Prove Inaccurate beginning on page 4 of this prospectus.

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THE COMPANY

We are a self-managed real estate investment trust, or a REIT, with in-house capabilities in property management, acquisitions, financing, development, construction and leasing. We were formed in June 1997 for the purpose of continuing the commercial real estate business of S.L. Green Properties, Inc., our predecessor entity. S.L. Green Properties, Inc., which was founded in 1980 by Stephen L. Green, the Chairman of the Board of SL Green, had been engaged in the business of owning, managing, leasing, acquiring and repositioning office properties in Manhattan. We began trading on the New York Stock Exchange on August 15, 1997 under the symbol SLG.

As of March 31, 2010, 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	14,829,700	90.9%
	Unconsolidated properties	8	9,429,000	93.4%
Suburban	Consolidated properties	25	3,863,000	83.5%
	Unconsolidated properties	6	2,941,700	94.2%
		61	31,063,400	91.0%

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

As of March 31, 2010, our Manhattan properties were comprised of fee ownership (23 properties), including ownership in condominium units, leasehold ownership (five properties) and operating sublease ownership (two properties). Pursuant to the operating sublease arrangements, we, as tenant under the operating sublease, perform the functions traditionally performed by landlords with respect to its subtenants. We are responsible for not only collecting rent from subtenants, but also maintaining the property and paying expenses relating to the property. As of March 31, 2010, our Suburban properties were comprised of fee ownership (30 properties), and leasehold ownership (one property).

We also own investments in eight retail properties encompassing approximately 374,212 square feet, three development properties encompassing approximately 399,800 square feet and two land interests. In addition, we manage three office properties owned by third parties and affiliated companies encompassing approximately 1.0 million rentable square feet. In addition, as of March 31, 2010, we also held approximately $786 million of structured finance investments.

In May 2010, we completed the acquisition of the 303,515 square foot property located at 600 Lexington Avenue, Manhattan, for $193.0 million. In connection with the acquisition, we assumed $49.85 million of in-place financing. The 5.74% interest-only loan matures in March 2014. In May 2010, we entered into a joint venture arrangement with a wholly owned subsidiary of the Canada Pension Plan Investment Board, a Canadian Crown corporation (CPPIB) pursuant to which we sold a 45% joint venture ownership stake at 600 Lexington Avenue to CPPIB.

In May 2010, we sold our 45% beneficial interest in the property known as 1221 Avenue of the Americas, located in Manhattan for a total consideration of approximately $576 million, subject to a working capital adjustment. We realized a gain of approximately $130 million on the sale of this property, which encompassed approximately 2.5 million rentable square feet.

In May 2010, we also entered into an agreement to acquire 125 Park Avenue, a Manhattan office tower overlooking New York City s Grand Central Terminal, for $330 million. In connection with the acquisition, we will assume $146.25 million of in-place financing. The 5.748% interest-only loan matures in October 2014. Subject to the satisfaction of certain conditions that are to be satisfied prior to the closing, the acquisition of the property at 125 Park Avenue is expected to close during the third quarter of 2010.

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On June 15, 2010, Reckson Operating Partnership, L.P. (ROP), a wholly-owned subsidiary of SLGOP, completed the repurchase of approximately $80.72 million aggregate principal amount of its 4.00% Exchangeable Senior Debentures due 2025 (the Debentures) pursuant to the option of the holders to require ROP to purchase all or a portion of such holders Debentures (the Put Option). Following the Put Option, $657,000 aggregate principal amount of the Debentures remain outstanding.

We were incorporated in the State of Maryland on June 10, 1997. Our principal executive offices are located at 420 Lexington Avenue, New York, New York 10170 and our telephone number is (212) 594-2700. We maintain a website at *www.slgreen.com*. The information contained on or connected to our website is not incorporated by reference into this prospectus, and you must not consider the information to be a part of this prospectus.

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FORWARD-LOOKING STATEMENTS MAY PROVE INACCURATE

Certain statements in this prospectus and in the documents incorporated by reference, and in future oral and written statements that we make, may be forward-looking. These statements reflect our beliefs and expectations as to future events and trends affecting our business, consolidated financial condition and results of operations. These forward-looking statements are based upon our current expectations concerning future events and discuss, among other things, anticipated future performance and future business plans. Forward-looking statements are identified by such words and phrases as anticipates, believes, could be, estimates, expects, intends, plans to, may, will and similar expressions. For statements are necessarily subject to risks and uncertainties, many of which are outside our control, which could cause actual results to differ materially from these statements.

The following are important factors that we believe could cause actual results to differ materially from those in our forward-looking statements:

- general economic or business (particularly real estate) conditions, either nationally or in the New York Metro area being less favorable than expected if the credit crisis continues;

- reduced demand for office space;

- risks of real estate acquisitions;

- risks of structured finance investments and borrowers;

- availability and creditworthiness of prospective tenants and borrowers;

- tenant bankruptcies;

- adverse changes in the real estate markets, including increasing vacancy, increasing availability of sublease space, decreasing rental revenue and increasing insurance costs;

- availability, terms and deployment of capital (debt and equity);

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

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

- declining real estate valuations and impairment charges;

- market interest rates could adversely affect the market price of our common stock, as well as our performance and cash flows;

- our ability to satisfy complex rules in order for us to qualify as a REIT, for federal income tax purposes, our operating partnership s ability to satisfy the rules in order for it to qualify as a partnership for federal income tax purposes, the ability of certain of our subsidiaries to qualify as REITs and certain of our subsidiaries to qualify as taxable REIT subsidiaries for federal income tax purposes and our ability and the ability of our subsidiaries to operate effectively within the limitations imposed by these rules;

- competition with other companies;

- availability of and our ability to attract and retain qualified personnel;

- the continuing threat of terrorist attacks on the national, regional and local economies including, in particular, the New York City area and our tenants;

- legislative or regulatory changes adversely affecting REITs and the real estate business; and

- environmental, regulatory and/or safety requirements.

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Except to the extent required by applicable law, we undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. In light of these risks and uncertainties, the forward-looking events and circumstances discussed in this prospectus and the documents incorporated by reference in this prospectus might not occur and actual results, performance or achievement could differ materially from that anticipated or implied in the forward-looking statements.

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USE OF PROCEEDS

We will not receive any proceeds from the sale of any registered shares by the selling stockholders. We will bear certain expenses of the registration of the registered shares under federal and state securities laws. To the extent that we issue shares, our operating partnership issues partnership units to us.

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DESCRIPTION OF COMMON STOCK

The following description of the terms of our common stock is only a summary. This description is subject to, and qualified in its entirety by reference to, our charter and bylaws, each as amended, each of which has previously been filed with the SEC, and the Maryland General Corporation Law, or the MGCL.

General

Our charter provides that we may issue up to 160,000,000 shares of SL Green common stock, $.01 par value per share. Subject to the provisions of the charter regarding excess stock, each outstanding share of common stock entitles the holder to one vote on all matters submitted to a vote of stockholders, including the election of directors, and, except as provided with respect to any other class or series of stock, the holders of this stock will possess the exclusive voting power. There is no cumulative voting in the election of directors, which means that the holders of a majority of the outstanding shares of our common stock can elect all of the directors then standing for election and the holders of the remaining shares will not be able to elect any directors. On March 31, 2010, there were 81,284,236 shares of our common stock outstanding (including 3,360,000 shares held in treasury). In addition, as of March 31, 2010, there were 1,298,113 shares of common stock underlying outstanding options granted under our equity compensation plans, 1.9 million shares of common stock reserved and available for future issuance under our equity compensation plans, 1,408,104 shares of common stock issuable upon redemption of SLGOP s units of limited partnership interest and an aggregate of 1,705,880 shares of common stock issuable upon exchange of the outstanding 3.00% Exchangeable Senior Notes due 2027 and the 4.00% Exchangeable Senior Debentures due 2025, respectively.

Subject to the preferential rights of any other shares or series of stock and to the provisions of the charter regarding excess stock, holders of shares of common stock are entitled to receive dividends on this stock if, as and when authorized by our board of directors and declared by us out of assets legally available therefor and to share ratably in our assets legally available for distribution to our stockholders in the event of our liquidation, dissolution or winding up after payment of or adequate provision for all of our known debts and liabilities.

Holders of shares of common stock have no preference, conversion, exchange, sinking fund, redemption or appraisal rights and have no preemptive rights to subscribe for any of our securities. Subject to the provisions of the charter regarding excess stock, shares of common stock will have equal dividend, liquidation and other rights.

Provisions of Our Charter

The charter authorizes our board of directors to reclassify any unissued shares of common stock into other classes or series of stock and to establish the number of shares in each class or series and to set the preferences, conversion and other rights, voting powers, restrictions, limitations and restrictions on ownership, limitations as to dividends or other distributions, qualifications and terms or conditions of redemption for each class or series.

Our board of directors is divided into three classes of directors, each class constituting approximately one-third of the total number of directors, with the classes serving staggered terms. At each annual meeting of stockholders, the class of directors to be elected at the meeting will be elected for a three-year term and the directors in the other two classes will continue in office. We believe that classified directors will help to assure the continuity and stability of our board of directors and our business strategies and policies as determined by our board of directors. The use of a staggered board may delay or defer a change in control of the company or removal of incumbent management.

The charter also provides that, except for any directors who may be elected by holders of a class or series of capital stock other than common stock, directors may be removed only for cause and only by the affirmative vote of stockholders holding at least a majority of all the votes entitled to be cast for the election of directors. Vacancies on the board of directors may be filled only by the affirmative vote of the remaining directors, even if the remaining directors do not constitute a quorum, and a director so elected shall hold office for the remainder of the full term of the class of directors in which the vacancy occurred and until his or her successor is elected and qualifies.

On February 19, 2010, we adopted a policy on majority voting in the election of directors. Pursuant to this policy, in an uncontested election of directors, any nominee who receives a greater number of votes withheld from

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his or her election than votes for his or her election will, within ten business days following the certification of the stockholder vote, tender his or her written resignation to the Chairman of the Board for consideration by our Nominating and Corporate Governance Committee. The Nominating and Corporate Governance Committee will consider the resignation and, within 60 days following the date of the stockholders meeting at which the election occurred, will make a recommendation to the board of directors concerning the acceptance or rejection of the resignation.

Under the policy, our board of directors will take formal action on the recommendation no later than 90 days following the date of the stockholders meeting. In considering the recommendation, our board of directors will consider the information, factors and alternatives considered by the Nominating and Corporate Governance Committee and such additional factors, information and alternatives as the board deems relevant. We will publicly disclose, in a Form 8-K filed with the SEC, the board of directors decision within four business days after the decision is made. The board of directors also will provide, if applicable, its reason or reasons for rejecting the tendered resignation.

Restrictions on Ownership

For SL Green to qualify as a REIT under the Internal Revenue Code of 1986, as amended, which is referred to herein as the Code, not more than 50% in value of outstanding common stock may be owned, directly or indirectly, by five or fewer individuals, according to the definition in the Code, during the last half of a taxable year and the common stock must be beneficially owned by 100 or more persons during at least 335 days of a taxable year of 12 months or during a proportionate part of a shorter taxable year. To satisfy the above ownership requirements and other requirements for qualification as a REIT, the board of directors has adopted, and the stockholders prior to the initial public offering approved, a provision in the charter restricting the ownership or acquisition of shares of our capital stock.

Transfer Agent and Registrar

The transfer agent and registrar for the common stock is The Bank of New York Mellon.

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CERTAIN ANTI-TAKEOVER PROVISIONS OF MARYLAND LAW

The following summary of certain anti-takeover provisions of Maryland law does not purport to be complete and is subject to and qualified in its entirety by reference to Maryland law, our charter and bylaws, each as amended.

Business Combinations

Under the MGCL, certain business combinations (including a merger, consolidation, share exchange or, in certain circumstances, an asset transfer or issuance or transfer of equity securities or reclassification of equity securities) between a Maryland corporation and any person who beneficially, directly or indirectly, owns 10% or more of the voting power of the corporation or an affiliate of the corporation who, at any time within the two-year period immediately prior to the date in question, was the beneficial owner of 10% or more of the voting power of the then-outstanding voting stock of the corporation, referred to as an interested stockholder, or an affiliate of such an interested stockholder are prohibited for five years after the most recent date on which the interested stockholder becomes an interested stockholder. Thereafter, any such business combination must be recommended by the board of directors of such corporation and approved by the affirmative vote of at least (i) 80% of the votes entitled to be cast by holders of outstanding shares of voting stock of the corporation and (ii) two-thirds of the votes entitled to be cast by holders of voting stock of the corporation other than shares of voting stock held by the interested stockholder with whom (or with whose affiliate) the business combination is to be effected or held by an affiliate or associate of the interested stockholder, unless, among other conditions, the corporation s common stockholders receive a minimum price (as defined in the Maryland corporation law) for their shares and the consideration is received in cash or in the same form as previously paid by the interested stockholder for its shares. These provisions of the Maryland corporation law do not apply, however, to business combinations that are approved or exempted by a board of directors prior to the time that the interested stockholder becomes an interested stockholder. A person is not an interested stockholder under the statute if the board of directors approved in advance the transaction by which the person otherwise would have become an interested stockholder.

Our board of directors may provide that its approval is subject to compliance with any terms and conditions determined by it. However, pursuant to the statute, our board of directors has by resolution opted out of these provisions of the Maryland corporation law and, consequently, the five-year prohibition and the super-majority vote requirements will not apply to business combinations between SL Green and any interested stockholder of SL Green. As a result, anyone who later becomes an interested stockholder may be able to enter into business combinations with SL Green that may not be in the best interest of its stockholders, without compliance by SL Green with the super-majority vote requirements and the other provisions of the statute. However, no assurances can be given that such resolution will not be modified, amended or revoked in the future or that the provisions of the MGCL relative to business combinations will not be reinstated or again become applicable to SL Green.

Control Share Acquisitions

The MGCL provides that control shares of a Maryland corporation acquired in a control share acquisition have no voting rights except to the extent approved at a special meeting by the affirmative vote of two-thirds of the votes entitled to be cast on the matter, excluding shares of stock in a corporation in respect of which any of the following persons is entitled to exercise or direct the exercise of the voting power of shares of stock of the corporation in the election of directors: (i) a person who makes or proposes to make a control share acquisition, (ii) an officer of the corporation or (iii) an employee of the corporation who is also a director of the corporation. Control shares are voting shares of stock which, if aggregated with all other such shares of stock owned by the acquiror or in respect of which the acquiror is able to exercise or direct the exercise of voting power (except solely by virtue of a revocable proxy), would entitle the acquiror, directly or indirectly, to exercise or direct the exercise of, voting power in electing directors within one of the following ranges of voting power: (i) one-tenth or more but less than one-third, (ii) one-third or more but less than a majority, or (iii) a majority or more of all voting power. Control shares do not include shares the acquiring

person is then entitled to vote as a result of having previously obtained stockholder approval. A control share acquisition means the acquisition, directly or indirectly, of control shares, subject to certain exceptions.

A person who has made or proposes to make a control share acquisition, upon satisfaction of certain conditions (including an undertaking to pay expenses), may compel our board of directors to call a special meeting

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of stockholders to be held within 50 days of demand to consider the voting rights of the shares. If no request for a meeting is made, the corporation may itself present the question at any stockholders meeting.

If voting rights are not approved at the meeting or if the acquiring person does not deliver an acquiring person statement as required by the statute, then, subject to certain conditions and limitations, the corporation may redeem any or all of the control shares (except those for which voting rights have previously been approved) for fair value determined, without regard to the absence of voting rights for the control shares, as of the date of the last control share acquisition by the acquiror or of any meeting of stockholders at which the voting rights of such shares are considered and not approved. If voting rights for control shares are approved at a stockholders meeting and the acquiror becomes entitled to vote a majority of the shares entitled to vote, all other stockholders may exercise appraisal rights. The fair value of the shares as determined for purposes of such appraisal rights may not be less than the highest price per share paid by the acquiror in the control share acquisition.

The control share acquisition statute does not apply (i) to shares acquired in a merger, consolidation or share exchange if the corporation is a party to the transaction or (ii) to acquisitions approved or exempted by the charter or bylaws of the corporation.

Our bylaws contain a provision exempting from the control share acquisition statute any and all acquisitions by any holder of its shares. There can be no assurance that this provision will not be amended or eliminated at any time in the future.

Subtitle 8

Subtitle 8 of Title 3 of the MGCL permits a Maryland corporation with a class of equity securities registered under the Securities Exchange Act of 1934, as amended (the Exchange Act), and at least three independent directors to elect to be subject, by provision in its charter or bylaws or a resolution of its board of directors and notwithstanding any contrary provision in the charter or bylaws, to any or all of five provisions:

- a classified board;
- a two-thirds vote requirement for removing a director;
- a requirement that the number of directors be fixed only by vote of the directors;
- a requirement that a vacancy on the board be filled only by the remaining directors and for the remainder of the full term of the class of directors in which the vacancy occurred; and

- a majority requirement for the calling of a special meeting of stockholders.

We have elected to be subject to the provision of Subtitle 8 that requires that a vacancy on the board be filled only by the remaining directors and for the remainder of the full term of the class of directors in which the vacancy occurred. Through provisions in our charter and bylaws, unrelated to Subtitle 8, we also (i) have a classified board and (ii) vest in the board the exclusive power to fix the number of directorships.

Anti-Takeover Effect of Certain Provisions of Maryland Law

The business combination provisions, the control share acquisition provisions and Subtitle 8 of the MGCL could delay, defer or prevent a transaction or a change in control of SL Green that might involve a premium price for holders of securities or otherwise be in their best interests.

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RESTRICTIONS ON OWNERSHIP OF CAPITAL STOCK

Excess Stock

Our charter provides that we may issue up to 75,000,000 shares of excess stock, par value $.01 per share. For a description of excess stock, see Restrictions on Ownership below.

Restrictions on Ownership

For our company to qualify as a REIT under the Code, among other things, not more than 50% in value of our outstanding capital stock may be owned, directly or indirectly, by five or fewer individuals during the last half of a taxable year, other than the first year, and the shares of capital stock must be beneficially owned by 100 or more persons during at least 335 days of a taxable year of 12 months, other than the first year, or during a proportionate part of a shorter taxable year. Pursuant to the Code, common stock held by specific types of entities, such as pension trusts qualifying under Section 401(a) of the Code, United States investment companies registered under the Investment Company Act of 1940, as amended, partnerships, trusts and corporations, will be attributed to the beneficial owners of these entities for purposes of the five or fewer requirement. Generally, for the purposes of restrictions on ownership, the beneficial owners of these entities will be counted as our stockholders.

In order to protect our company against the risk of losing its status as a REIT due to a concentration of ownership among its stockholders, our charter, subject to exceptions, provides that no stockholder may own, or be deemed to own by virtue of certain attribution provisions of the Code, more than 9.0%, which we refer to as the Ownership Limit, of the lesser of the aggregate number or value of the outstanding shares of our common stock. Limitations on the ownership of preferred stock are also imposed by SL Green. Any direct or indirect ownership of shares of stock in excess of the Ownership Limit or that would result in our disqualification as a REIT, including any transfer that results in shares of capital stock being owned by fewer than 100 persons or results in our company being closely held within the meaning of Section 856(h) of the Code, shall be null and void, and the intended transferee will acquire no rights to the shares of capital stock. The foregoing restrictions on transferability and ownership will not apply if our board of directors determines that it is no longer in its best interests to attempt to qualify, or to continue to qualify, as a REIT. Our board of directors may, in its sole discretion, waive the Ownership Limit if evidence satisfactory to the board of directors and our tax counsel is presented that the changes in ownership will not then or in the future jeopardize our REIT status and our board of directors otherwise decides that this action is in our best interest.

Shares of capital stock owned, or deemed to be owned, or transferred to a stockholder in excess of the Ownership Limit will automatically be converted into shares of excess stock that will be transferred, by operation of law, to the trustee of a trust for the exclusive benefit of one or more charitable organizations described in Section 170(b)(1)(A) and 170(c) of the Code. The trustee of the trust will be deemed to own the excess stock for the benefit of the charitable beneficiary on the date of the violative transfer to the original transferee-stockholder. Any dividend or distribution paid to the original transferee-stockholder of excess stock prior to the discovery by SL Green that capital stock has been transferred in violation of the provisions of our charter shall be repaid to the trustee upon demand. Any dividend or distribution authorized and declared but unpaid shall be rescinded as void from the beginning with respect to the original transferee-stockholder and shall instead be paid to the trustee of the trust for the benefit of the charitable beneficiary. Any vote cast by an original transferee-stockholder of shares of capital stock constituting excess stock prior to the discovery by SL Green that shares of capital stock have been transferred in violation of the provisions of the charter shall be rescinded as void from the beginning. While the excess stock is held in trust, the original transferee-stockholder will be deemed to have given an irrevocable proxy to the trustee to vote the capital stock for the benefit of the charitable beneficiary. The trustee of the trust may transfer the interest in the trust representing the excess stock to any person whose ownership of the shares of capital stock converted into this excess stock would be permitted under the Ownership Limit. If this transfer is made, the interest of the charitable beneficiary shall terminate and

the proceeds of the sale shall be payable to the original transferee stockholder and to the charitable beneficiary as described herein. The original transferee-stockholder shall receive the lesser of (i) the price paid by the original transferee-stockholder for the shares of capital stock that were converted into excess stock or, if the original transferee-stockholder did not give value for the shares, the average closing price for the class of shares from which the shares of capital stock were converted for the ten trading days immediately preceding the sale or gift, and (ii) the price received by the trustee from the sale or other disposition of the excess stock held in trust. The trustee may reduce the amount payable to the original transferee-stockholder by

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the amount of dividends and distributions relating to the shares of excess stock which have been paid to the original transferee-stockholder and are owed by the original transferee-stockholder to the trustee. Any proceeds in excess of the amount payable to the original transferee-stockholder shall be paid by the trustee to the charitable beneficiary. Any liquidation distributions relating to excess stock shall be distributed, with respect to excess stock converted from preferred stock, ratably with each other holder of preferred stock of the same class or excess stock converted from preferred stock of the same class, and with respect to excess stock converted from SL Green common stock, ratably with each other holder of SL Green common stock or excess stock converted from SL Green common stock. The liquidation distributions allocated to a share of excess stock will be distributed in the same manner as proceeds from a sale of such share of excess stock would be distributed. If the foregoing transfer restrictions are determined to be void or invalid by virtue of any legal decision, statute, rule or regulations, then the original transferee-stockholder of any shares of excess stock may be deemed, at our option, to have acted as an agent on our behalf in acquiring the shares of excess stock and to hold the shares of excess stock on our behalf.

Shares of excess stock shall be deemed to have been offered to the corporation or its designee for 90 days at a price per share payable to the purported transferee equal to the lesser of (i) the price per share in the transaction that created the excess shares (or, in the case of a devise or gift, the market price at the time of such devise or gift) or (ii) the market price of our common stock or preferred stock which was converted into such excess stock on the date the corporation or its designee accepts the offer. We may reduce the amount payable to the original transferee-stockholder by the amount of dividends and distributions relating to the shares of excess stock which have been paid to the original transferee-stockholder and are owed by the original transferee-stockholder to the trustee. We may pay the amount of the reductions to the trustee for the benefit of the charitable beneficiary. The 90-day period begins on the later date of which notice is received of the violative transfer if the original transferee-stockholder gives notice to SL Green of the transfer or, if no notice is given, the date our board of directors determines that a violative transfer has been made.

These restrictions will not preclude settlement of transactions through the NYSE.

All certificates representing shares of stock will bear a legend referring to the restrictions described above.

Each stockholder shall upon demand be required to disclose to us in writing any information with respect to the direct, indirect and constructive ownership of capital stock of SL Green as our board of directors deems necessary to comply with the provisions of the Code applicable to REITs, to comply with the requirements of any taxing authority or governmental agency or to determine any such compliance.

The Ownership Limit may have the effect of delaying, deferring or preventing a change in control of our company unless our board of directors determines that maintenance of REIT status is no longer in our best interest.

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SELLING STOCKHOLDERS

The notes were originally issued by our operating partnership and sold by the initial purchaser of the notes in transactions exempt from the registration requirements of the Securities Act to persons reasonably believed by the initial purchaser to be qualified institutional buyers as defined by Rule 144A under the Securities Act. Under certain circumstances, we may issue shares of common stock upon the exchange or redemption of the notes. In such circumstances, the recipients of shares of common stock, including their transferees, pledges or donors or their successors, whom we refer to as the selling stockholders, may use this prospectus to resell from time to time the shares of common stock that we may issue to them upon the exchange or redemption of the notes. Information about selling stockholders is set forth herein and information about additional selling stockholders may be set forth in a prospectus supplement, in a post-effective amendment, or in filings we make with the SEC under the Exchange Act, which are incorporated by reference in this prospectus.

The table below provides, as of June 17, 2010, the names of each selling stockholder and the number of shares of common stock offered by each selling stockholder. As we are not obligated to issue common stock upon exchange or redemption of the notes and the selling stockholders may sell all, some or none of their shares of common stock, no estimate can be made of the aggregate number of shares of common stock that are to be offered hereby, or the aggregate number of shares of common stock that will be owned by each selling stockholder upon completion of the offering to which this prospectus relates. The number of shares in the column Number of shares offered hereby includes the number of shares of common stock the selling stockholder may receive in exchange for the notes, except as noted. Amounts shown in the column Number of shares owned before the offering represent the number of securities shown in the column Number of shares offered hereby plus shares of common stock owned by the selling stockholders that are not covered by the registration statement of which this prospectus forms a part.

The number of shares of common stock issuable upon the exchange or redemption of the notes shown in the table below assumes exchange of the full amount of notes held by each selling stockholder at the initial exchange rate of 5.7703 shares of common stock per $1,000 principal amount of notes and a cash payment in lieu of any fractional share. This exchange rate is subject to adjustment in certain events. Accordingly, the number of shares of common stock issued upon the exchange or redemption of the notes may increase or decrease from time to time.

With respect to the information presented concerning the selling stockholders listed in the table below, we have not conducted any independent inquiry or investigation to ascertain that information and have relied on written questionnaires furnished to us by the selling stockholders for the express purpose of including that information in a registration statement for the registration of the resale of the shares that may be issuable upon exchange of the notes. Based upon information provided by the selling stockholders, none of the selling stockholders has, or within the past three years has had, any position, office or other material relationship with us or any of our affiliates, except that (i) Citigroup Global Markets Inc. acted as the initial purchaser in the original issuance of the notes on March 26, 2007, (ii) Citigroup Global Markets Inc. and Deutsche Bank Securities Inc. each acted as initial purchasers in connection with the issuance of the 7.75% Senior Notes due 2020 and as dealer managers in connection with our tender offer for certain securities of SLGOP and ROP on March 11, 2010, (iii) Citigroup Global Markets Inc., Credit Suisse Securities (USA) LLC and The City University of New York (CUNY) or certain of their affiliates are among our largest tenants and (iv) certain other selling stockholders or their affiliates may be a party to our revolving credit facilities or tenants of our properties.

Pursuant to the Registration Rights Agreement, dated March 26, 2007, between SL Green and SLGOP, the Company has agreed to register pursuant to the registration statement of which this prospectus forms a part, all shares issuable upon exchange of the notes that have been requested by the holder to be so registered. The selling stockholders named below have previously requested registration of the shares issuable upon exchange and have not subsequently informed the Company of the disposition of such corresponding notes. Therefore, the shares listed in the table below exceed the number of shares issuable upon exchange of all outstanding notes at the current exchange rate. The registration statement of which this prospectus forms a part of registers all shares issuable upon exchange of outstanding notes and such additional shares of common stock as may be issued in connection with a stock split, stock dividend or similar transaction. As of June 16, 2010, $155,655,000 aggregate principal amount of notes were outstanding, and, based on the current exchange rate of 5.7703 shares of common stock per $1,000

principal amount of notes, an aggregate of 898,177 shares of common stock would be issuable should all such notes be exchanged for shares of common stock at the current exchange rate. Subject to the foregoing, the shares of common stock offered by this prospectus may be offered from time to time by the selling stockholders named below:

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Name	Number of shares owned before the offering	Number of shares offered hereby (1)	Number of shares owned after the offering (2)	Percentage of shares owned after the offering (2)(3)
Admiral Flagship Master Fund, LTD*	129,831	129,831	0	+
Advent Convertible Arb Master (4)	16,122	16,122	0	+
Advent Enhanced Phoenix (4)	23,081	23,081	0	+
Agamas Continuum Master Fund, Ltd. (5)	171,667	171,667	0	+
Alcon Laboratories (4)	2,389	2,389	0	+
Alexandra Global Master Fund Ltd. (6)	34,621	34,621	0	+
Altma Fund SICAV PLC (in respect of Trinity Sub-Fund)	28,799	28,799	0	+
AM International E Mac 63 LTD	73,311	73,311	0	+
AM Master Fund I, L.P.	91,632	91,632	0	+
Bayerische Hypo - und Vereinsbank AG	28,851	28,851	0	+
British Virgin Islands Social Security Board (4)	791	791	0	+
Canyon Capital Arbitrage Master Fund, Ltd.*(7)	14,137	14,137	0	+
Canyon Value Realization Fund, L.P.*(8)	5,857	5,857	0	+
Canyon Value Realization Mac 18, Ltd.* (9)	1,010	1,010	0	+
Citigroup Global Markets Inc.* (10)	58,845	58,845	0	+
City University of New York (CUNY) (4)	687	687	0	+
CNH CA Master Account, L.P. (11)	4,040	4,040	0	+
Credit Suisse Securities Ltd, USA* (12)	28,852	28,852	0	+
Credit Suisse Securities (USA) LLC* (12)	152,913	152,913	0	+
CQS Convertible and Quantitative Strategies Master Fund Limited (13)	115,406	115,406	0	+
DBAG London* (14)	181,764	181,764	0	+
D.E. Shaw Valence Portfolios, L.L.C.* (15)	875,563	57,703	817,860	+
Deutsche Bank Securities*(16)	28,852	28,852	0	+
DKR SoundShore Oasis Holding Fund Ltd.(17)	28,852	28,852	0	+
Domestic + Foreign Missionary Society	237	237	0	+
Ferox Master Fund Limited (18)	76,099	76,099	0	+
Fore Convertible Master Fund, Inc.	3,647	3,647	0	+
Forest Global Convertible Master Fund L.P.	31,772	31,772	0	+
Forest Multi Strategy Master Fund SPC, on behalf of its Multi Strategy Segregated Portfolio	3,509	3,509	0	+
FXMC Limited (19)	21,794	21,794	0	+
GMIMCO Trust (4)	8,880	8,880	0	+
Grace Convertible Arbitrage Fund, Ltd.(20)	28,850	28,850	0	+
Grady Hospital Foundation (4)	656	656	0	+
HBK Master Fund L.P.*(21)	28,852	28,852	0	+
HFR CA Global Opportunity Master Trust	10,537	10,537	0	+

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HFRCA Opportunity Master Trust (4)	675	675	0	+
HFR RVA Select Performance Master Trust	2,978	2,978	0	+
Highbridge Convertible Arbitrage Master Fund L.P. (22)	21,638	21,638	0	+
Highbridge International LLC (22)	36,064	36,064	0	+
Independence Blue Cross (KHPE Advent Convertible) (4)	3,606	3,606	0	+
Inflective Convertible Opportunity Fund I, LTD*(23)	8,079	8,079	0	+
Inflective Convertible Opportunity Fund I, L.P.*(23)	1,153	1,153	0	+
Institutional Benchmarks Master Fund Ltd.	7,086	7,086	0	+
Institutional Benchmark Series-Ivan Segregated Acct.*(23)	9,232	9,232	0	+
Institutional Benchmarks Series - IVAN Segregated Account*	5,194	5,194	0	+
Institutional Benchmark Series Limited(4)	1,298	1,298	0	+
John Hancock Funds II Spectrum Income Fund (24)	1,731	1,731	0	+
JP Morgan Securities, Inc.*	57,657	57,657	0	+
Kamunting Street Master Fund, Ltd. (25)	57,703	57,703	0	+
KBC Financial Products USA Inc.*	6,979	6,979	0	+
LDG Limited (26)	371,000	371,000	0	+
Lehman Brothers Inc.	46,162	46,162	0	+
Linden Capital LP (27)	40,392	40,392	0	+
Lucent Technologies, Inc. Master Pension Trust (24)	2,308	2,308	0	+
Lydian Global Opportunities Master Fund L.T.D (28)	239,467	239,467	0	+
Lydian Overseas Partners Master Fund L.T.D (28)	620,307	620,307	0	+
Lyxor / AM Investment Fund, LTD.	15,718	15,718	0	+
Lyxor/Canyon Capital Arbitrage Fund Ltd.*(29)	4,039	4,039	0	+
Lyxor / Forest Fund Limited	54,761	54,761	0	+
Lyxor / Inflective Convertible Opportunity Fund* (23)	37,507	37,507	0	+
Lyxor Master Trust Fund (4)	514	514	0	+
Magnetar Capital Master Fund, Ltd. (30)	100,980	100,980	0	+
Occidental Petroleum Corporation (4)	1,581	1,581	0	+
Pearl Assurance PLC (31)	4,039	4,039	0	+
Penn Series Funds, Inc. High Yield Bond Fund (24)	1,010	1,010	0	+
PFA Invest Global High Yield (Jyske Invest Engros Afdeling 4)(24)	3,895	3,895	0	+
Polygon Global Opportunities Master Fund (32)	432,772	432,772	0	+
Price Rowe High Yield II (Delaware Public Employees Retirement System) (24)	2,308	2,308	0	+

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Pro Mutual (4)	4,339	4,339	0	+
Redbrick Capital Master Fund, LTD (33)	86,555	86,555	0	+
S.A.C. Arbitrage Fund, LLC (34)	57,703	57,703	0	+
San Francisco City and County ERS (4)	6,786	6,786	0	+
Satellite Convertible Arbitrage Master Fund, LLC (35)	14,426	14,426	0	+
SGAM AI Boreal	90,593	90,593	0	+
Stark Master Fund Ltd.*(36)	155,798	155,798	0	+
SuttonBrook Capital Portfolio LP (37)	86,555	86,555	0	+
The Canyon Value Realization Fund (Cayman), Ltd.* (9)	15,349	15,349	0	+
The Police and Fire Retirement System of the City of Detroit (4)	2,654	2,654	0	+
TQA Master Fund Ltd. (38)	13,653	13,653	0	+
TQA Master Plus Fund Ltd. (38)	8,552	8,552	0	+
Tribeca Convertibles	23,081	23,081	0	+
Tribeca Convertibles LP*	31,448	31,448	0	+
T. Rowe Price Fixed Income Trust (24)	433	433	0	+
T. Rowe Price High Yield Fund, Inc. (24)	66,070	66,070	0	+
Trustmark Insurance Company (4)	1,702	1,702	0	+
UBS O Connor LLC F/B/O: O Connor Global Convertible Arbitrage Master Limited (39)	80,071	80,071	0	+
UBS O Connor LLC F/B/O: O Connor Global Convertible Arbitrage II Master Limited (39)	6,483	6,483	0	+
UBS Securities LLC* (40)	123,860	28,851	95,009	+
Wachovia Capital Markets LLC*	17,957	17,957	0	+
Zurich Institutional Benchmarks Master Fund Ltd. c/o TQA Investors, LLC (38)	4,507	4,507	0	+
Total**	5,411,114	4,498,245	912,869	1.17%

+ Less than 1%.

* The selling stockholders identified with this symbol have identified that they are, or are affiliates of, registered broker-dealers. These selling stockholders have represented that they acquired their securities in the ordinary course of business and in the open market, and, at the time of the acquisition of the securities, had no agreements or understandings, directly or indirectly, with any person to distribute the securities. To the extent that we become aware that any such selling stockholder did not acquire its securities in the ordinary course of business or did have such an agreement or understanding, we will file a post-effective amendment to the registration statement of which this prospectus is a part to designate such person as an underwriter within the meaning of the Securities Act.

** Information about any other selling stockholders will be set forth in one or more prospectus supplements or amendments, if required. Assumes that any other holder of notes or any future transferee of any such holder does not beneficially own any of our common shares other than the common shares issuable upon exchange of the notes at the initial exchange rate.

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(1) Represents the maximum number of common shares issuable in exchange for all of the selling stockholder s notes, based on the initial exchange rate of 5.7703 of our common shares per $1,000 principal amount of the notes. This conversion rate is, however, subject to adjustment. As a result, the number of our common shares issuable upon conversion of the notes may increase or decrease in the future.

(2) Assumes the selling stockholder sells all of its shares of common stock offered pursuant to this prospectus.

(3) Based on a total of 78,159,352 shares of common stock outstanding as of June 16, 2010.

(4) Tracy Maitland is the controlling person of Advent Convertible Arb Master, Advent Enhanced Phoenix, Alcon Laboratories, British Virgin Islands Social Security Board, City University of New York (CUNY), GMIMCO Trust, Grady Hospital Foundation, HFRCA Opportunity Master Trust, Independence Blue Cross (KHPE Advent Convertible), Institutional Benchmark Series Limited, Lyxor Master Trust Fund, Occidental Petroleum Corporation, Pro Mutual, San Francisco City and County ERS, The Police and Fire Retirement System of the City of Detroit and Trustmark Insurance Company.

(5) The controlling person of Agamas Continuum Master Fund, Ltd. is Michael Reeber.

(6) The controlling person of Alexandra Global Master Fund Ltd. is Mikhail Filimonov. The 34,621 shares reflect the shares issuable upon exchange of the total holdings of Alexandra Global Master Fund Ltd. as of March 7, 2008 with respect to the 3.00% Exchangeable Senior Notes due 2027.

(7) Canyon Capital Advisors LLC is the investment advisor for Canyon Capital Arbitrage Master Fund, Ltd. and has the power to direct investments by Canyon Capital Arbitrage Master Fund, Ltd. The managing partners of Canyon Capital Advisors LLC are Joshua S. Friedman, Mitchell R. Julis, and K. Robert Turner. Canyon Capital Arbitrage Master Fund, Ltd., is a Cayman Islands Exempted company.

(8) The general partner for Canyon Value Realization Fund, L.P. is Canpartners Investments III, L.P. Canyon Capital Advisors LLC is the General Partner of Canpartners Investments III. The managing partners of Canyon Capital Advisors LLC are Joshua S. Friedman, Mitchell R. Julis and K. Robert Turner.

(9) Canyon Capital Advisors LLC is the Investment Advisor for Canyon Value Realization MAC 18, Ltd and the Canyon Value Realization Fund (Cayman), Ltd. The managing partners of Canyon Capital Advisors LLC are Joshua S. Friedman, Mitchell R. Julis and K. Robert Turner.

(10) Citigroup Global Markets Inc. is a subsidiary of Citigroup Inc.

(11) CNH Partners, LLC is the Investment Advisor of CNH CA Master Account, L.P. and has sole voting and dispositive power over the Registrable Securities. Investment principals for CNH Partners, LLC are Robert Krail, Mark Mitchell and Todd Pulvino. The 4,040 shares reflect the shares issuable upon exchange of the total holdings of CNH CA Master Account, L.P. as of July 17, 2008 with respect to the 3.00% Exchangeable Senior Notes due 2027.

(12) Credit Suisse Securities Ltd., USA and Credit Suisse Securities (USA) LLC are each an investment company registered under the Investment Company Act of 1940, as amended.

(13) Alan Smith, Dennis Hunter, Karla Bodden, Jane Fleming and Jonathan Crowther are the Directors of CQS Convertible and Quantitative Strategies Master Fund Limited.

(14) Patrick Corrigan is the controlling person of DBAG London.

(15) D.E. Shaw & Co. L.P., as either managing member or investment adviser, has voting and investment control over any shares of common stock issuable upon exchange of the notes owned by D.E. Shaw Valence Portfolios, L.L.C. Julius Gaudio, Eric Wespic, and Anne Dinning, or their designees exercise voting and investment control over the notes on D.E. Shaw & Co. L.P. s behalf.

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(16) Deutsche Bank Securities is a publicly held company.

(17) The investment manager of DKR SoundShore Oasis Holding Fund Ltd. is DKR Oasis Management Company LP. DKR Oasis Management Company LP has the authority to do any and all acts on behalf of DKR SoundShore Oasis Holding Fund, Ltd., including voting any shares held by DKR SoundShore Oasis Holding Fund, Ltd. Mr. Seth Fischer is the managing partner of Oasis Management Holdings LLC, one of the general partners of DKR Oasis Management Company LP. Mr. Fischer has ultimate responsibility for investments with respect to DKR SoundShore Oasis Holding Fund Ltd. Mr. Fischer disclaims beneficial ownership of the shares.

(18) The controlling person of Ferox Master Fund Limited is Henning von Issendorff.

(19) The controlling entity of FXMC Limited is Inter Caribbean Services Ltd. The controlling person of Inter Caribbean Services Ltd. is Jan Oyens.

(20) Michael Brailon is the controlling person of Grace Convertible Arbitrage Fund, Ltd.

(21) HBK Investments L.P., a Delaware limited partnership, has shared voting and dispositive power over the shares included herein pursuant to an Investment Management Agreement between HBK Investments L.P. and the HBK Master Fund L.P. HBK Investments L.P. has delegated discretion to vote and dispose of such shares to HBK Services LLC. The following individuals may be deemed to have control over HBK Investments L.P.: Jamiel A. Akhtar, Richard L. Booth, David C. Haley, Laurence H. Lebowitz , and William E. Rose.

(22) Highbridge Capital Management, LLC is the trading manager of Highbridge Convertible Arbitrage Master Fund, L.P. and Highbridge International LLC and has voting control and investment discretion over the securities held by Highbridge Convertible Arbitrage Master Fund, L.P. and Highbridge International LLC. Glenn Dubin and Henry Swieca control Highbridge Capital Management, LLC and have voting control and investment discretion over the securities held by Highbridge Convertible Arbitrage Master Fund, L.P. and Highbridge International LLC. Each of Highbridge Capital Management, LLC, Glenn Dubin and Henry Swieca disclaims beneficial ownership of the securities held by Highbridge Convertible Arbitrage Master Fund, L.P. and Highbridge International LLC.

(23) Thomas J. Ray is the controlling person of Inflective Convertible Opportunity Fund I, LTD., Inflective Convertible Opportunity Fund I, LP., Institutional Benchmarks Series-IVAN Segregated Account and Lyxor/Inflective Convertible Opportunity Fund.

(24) Mark Vaselkiv at T. Rowe Price Associates, Inc. is the portfolio manager of Penn Series Funds, Inc. High Yield Bond Fund, T. Rowe Price High Yield Fund, Inc., PFA Invest Global High Yield (Jyske Invest Engros Afdeling 4), John Hancock Funds II Spectrum Income Fund, T. Rowe Price Fixed Income Trust, Price Rowe High Yield II (Delaware Public Employees Retirement System) and Lucent Technologies, Inc. Master Pension Trust, and, subject to the proxy voting guidelines of T. Rowe Price Associates, Inc., exercises sole voting and/or investment power as portfolio manager over the shares of common stock being included by these selling stockholders in this prospectus. T. Rowe Price

Associates, Inc. may be deemed to be the beneficial owner of these shares; however, T. Rowe Price Associates, Inc. expressly disclaims beneficial ownership of these shares. T. Rowe Price Associates, Inc. is the wholly-owned subsidiary of T. Rowe Price Group, Inc., a publicly traded financial services holding company. Penn Series Funds, Inc. High Yield Bond Fund, T. Rowe Price High Yield Fund, Inc. and John Hancock Funds II Spectrum Income Fund have informed us that they are each a registered investment company.

(25) The controlling person for Kamunting Street Master Fund, Ltd. is Allen Teh.

(26) TQA Investors LLC has sole investment power and sole voting power. Its members are: Paul Bucci, Darren Langis, Andrew Anderson and Steven Potamis.

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(27) Siu Min Wong is the controlling person of Linden Capital LP.

(28) The controlling person of Lydian Global Opportunities Master Fund L.T.D and of Lydian Overseas Partners Master Fund L.T.D is David Friezo.

(29) Canyon Capital Advisors LLC is the investment advisor for Lyxor/Canyon Capital Arbitrage Fund Ltd. and has the power to direct investments by Lyxor/Canyon Capital Arbitrage Fund Ltd. The managing partners of Canyon Capital Advisors LLC are Joshua S. Friedman, Mitchell R. Julis, and K. Robert Turner.

(30) Magnetar Financial LLC is the investment advisor of Magnetar Capital Master Fund, Ltd. and consequently has voting control and investment discretion over securities held by Magnetar Capital Master Fund, Ltd. Magnetar Financial LLC disclaims beneficial ownership of the shares held by Magnetar Capital Master Fund, Ltd. Alec Litowitz has voting control over Supernova Management LLC, the general partner of Magnetar Capital Partners LP, the sole managing member of Magnetar Financial LLC. As a result, Mr. Litowitz may be considered the beneficial owner of any shares deemed to be beneficially owned by Magnetar Financial LLC. Mr. Litowitz disclaims beneficial ownership of these shares.

(31) The controlling entity of Pearl Assurance PLC is Pearl Assurance Ltd. The controlling person of Pearl Assurance Ltd. is Jonathan Moss.

(32) Polygon Investment Partner LLP and Polygon Investment Partners LP, Polygon Investments Ltd., Alexander E. Jackson, Reade E. Griffith, and Patrick G. G. Dear share voting and dispositive power of the securities held by Polygon Global Opportunities Master Fund. Polygon Investment Partner LLP and Polygon Investment Partners LP, Polygon Investments Ltd., Alexander E. Jackson, Reade E. Griffith, and Patrick G. G. Dear disclaim beneficial ownership of the securities held by Polygon Global Opportunities Fund.

(33) Jeff Baum and Tony Morgan are the controlling persons of Redbrick Capital Master Fund, Ltd.

(34) Each of S.A.C. Capital Advisors, LLC, a Delaware limited liability company, and S.A.C. Capital Management, LLC, a Delaware limited liability company, share all investment and voting power with respect to the securities held by S.A.C. Arbitrage Fund, LLC. Mr. Steven A. Cohen controls both S.A.C. Capital Advisers, LLC and S.A.C. Capital Management, LLC. Each of S.A.C. Capital Advisers, LLC, S.A.C. Capital Management, LLC and Mr. Cohen disclaim beneficial ownership of the securities.

(35) The discretionary investment manager of Satellite Convertible Arbitrage Master Fund, LLC is Satellite Asset Management, L.P. (SAM). The controlling entity of SAM is Satellite Fund Management, LLC (SFM). The managing members of SFM are Lief Rosenblatt, Mark Sonnino and Gabe Nechamkin. SAM and SFM and each named individual disclaims beneficial ownership of the securities.

(36) Michael A. Roth and Brian J. Stark have voting and investment control over the securities held by Stark Master Fund Ltd., but Messrs. Roth and Stark disclaim beneficial ownership of such securities.

(37) SuttonBrook Capital Management LP is the investment manager of SuttonBrook Capital Portfolio LP. John London and Steven M. Weinstein are the natural persons with control and voting power over SuttonBrook Capital Management LP.

(38) TQA Investors, LLC, an SEC registered investment adviser for TQA Master Fund Ltd. and TQA Master Plus Fund Ltd. and Zurich Institutional Benchmarks Master Fund c/o TQA Investors, LLC, has sole investment power and shared voting power over any registered shares. The principals of TQA Investors, LLC are Robert Butman, John Idone, Paul Bucci, George Esser, Bartholomew Tesoriero, DJ Langis and Andrew Anderson.

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(39) The selling stockholder is a fund which cedes investment control to UBS O Connor LLC, which makes all of the investment decisions and voting decisions. UBS O Connor LLC is a wholly owned subsidiary of UBS AG, which is listed on the New York Stock Exchange.

(40) UBS Securities LLC is required to file periodic and other reports with the Securities and Exchange Commission pursuant to Section 13(a) or 15(d) of the Exchange Act.

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CERTAIN U.S. FEDERAL INCOME TAX CONSIDERATIONS

The following discussion summarizes the material federal income tax consequences that are generally applicable to prospective holders of the offered securities. The specific tax consequences of owning the offered securities will vary depending on the circumstances of a particular stockholder. The discussion contained herein does not address all aspects of federal income taxation that may be relevant to particular holders. Therefore, we strongly recommend that stockholders review the following discussion and then consult with a tax advisor to determine the anticipated tax consequences of owning the offered securities.

The information in this section and the opinions of Greenberg Traurig, LLP are based on the Code, existing and proposed Treasury regulations thereunder, current administrative interpretations and court decisions. We cannot assume that future legislation, Treasury regulations, administrative interpretations and court decisions will not significantly change current law or affect existing interpretations of current law in a manner which is adverse to stockholders. Any such change could apply retroactively to transactions preceding the date of change. We cannot assume that the opinions and statements set forth herein, which do not bind the IRS or the courts, will not be challenged by the IRS or will be sustained by a court if so challenged.

This summary does not discuss state, local or foreign tax considerations. Except where indicated, the discussion below describes general federal income tax considerations applicable to individuals who are U.S. persons for federal income tax purposes (as described below) and who hold the offered securities as capital assets within the meaning of Section 1221 of the Code. Accordingly, the following discussion has limited application to domestic corporations and persons subject to specialized federal income tax treatment, such as foreign persons, trusts, estates, tax-exempt entities, regulated investment companies and insurance companies.

Under applicable Treasury regulations a provider of advice on specific issues of law is not considered an income tax return preparer unless the advice is (i) given with respect to events that have occurred at the time the advice is rendered and is not given with respect to the consequences of contemplated actions, and (ii) is directly relevant to the determination of an entry on a tax return. Accordingly, prospective stockholders should consult their respective tax advisors and tax return preparers regarding the preparation of any item on a tax return, even where the anticipated tax treatment has been discussed herein. **In addition, prospective stockholders are urged to consult with their own tax advisors with regard to the application of the federal income tax laws to such stockholders respective personal tax situations, as well as any tax consequences arising under the laws of any state, local or foreign taxing jurisdiction.**

Taxation of SL Green

We elected to be taxed as a REIT under Sections 856 through 860 of the Code effective for our taxable year ended December 31, 1997. We believe that we have been organized and have operated, and we intend to continue to operate, in a manner to qualify as a REIT. In the opinion of Greenberg Traurig, LLP, commencing with our taxable year ended December 31, 2001, we have been organized and have been operated in conformity with the requirements for qualification and taxation as a REIT under the Code and our proposed method of operation will enable us to continue to meet the requirements for qualification and taxation as a REIT under the Code. This opinion is based on factual representations relating to the organization and operation of SL Green, the operating partnership, their respective subsidiaries, factual representations relating to our continued efforts to comply with the various REIT tests and such documents that Greenberg Traurig, LLP has considered necessary or appropriate to review as a basis for rendering this opinion. Qualification and taxation as a REIT depends upon our ability to meet on a continuing basis, through actual annual operating results, the various qualification tests imposed under the Code. Greenberg Traurig, LLP will not review compliance with these tests on a continuing basis. See Failure to Qualify below.

The following is a general summary of the material Code provisions that govern the federal income tax treatment of a REIT and its stockholders. These provisions of the Code are highly technical and complex.

If we qualify for taxation as a REIT, we generally will not be subject to federal corporate income taxes on net income that we distribute currently to stockholders. This treatment substantially eliminates the double taxation (taxation at both the corporate and stockholder levels) that generally results from investment in a corporation. However, we will be subject to federal income and excise tax in specific circumstances, including the following:

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- we will be taxed at regular corporate rates on any undistributed REIT taxable income, including undistributed net capital gains;

- we may be subject to the alternative minimum tax on our items of tax preference;

- if we have (a) net income from the sale or other disposition of foreclosure property (which is, in general, property acquired by foreclosure or otherwise on default of a loan secured by the property) held primarily for sale to customers in the ordinary course of business or (b) other nonqualifying income from foreclosure property, we will be subject to tax at the highest corporate rate on such income;

- if we have net income from prohibited transactions, which are, in general, sales or other dispositions of property held primarily for sale to customers in the ordinary course of business, such income will be subject to a 100% tax;

- if we fail to satisfy either the 75% gross income test or the 95% gross income test, but nonetheless maintain our qualification as a REIT because other requirements have been met, we will be subject to a 100% tax on (i) the greater of (a) the amount by which we fail the 75% test and (b) the amount by which we fail the 95% test, multiplied by (ii) a fraction intended to reflect our profitability;

- if we fail to distribute during each calendar year at least the sum of (a) 85% of our REIT ordinary income for such year, (b) 95% of our REIT capital gain net income for such year and (c) any undistributed taxable income from prior years, we will be subject to a 4% excise tax on the excess of such required distribution over the amounts actually distributed;

- if we fail to satisfy any of the REIT asset tests (other than a de minimis failure to meet the 5% or 10% asset test) due to reasonable cause and not due to willful neglect, and we nonetheless maintain our REIT qualification because of specified cure provisions, we will be required to pay a tax equal to the greater of $50,000 or the highest corporate tax rate multiplied by the net income generated during a certain period by the nonqualifying assets that caused us to fail such test;

- if we fail to satisfy any provision of the Code that would result in our failure to qualify as a REIT (other than a violation of the REIT gross income tests or a de minimis failure of the 5% or 10% asset test) and the violation is due to reasonable cause, and not due to willful neglect, we may retain our REIT qualification but we will be required to pay a penalty of $50,000 for each such failure;

- if we acquire any asset from a corporation generally subject to full corporate level tax in a transaction in which the basis of the asset in our hands is determined by reference to the basis of the asset in the hands of the corporation and we recognize gain on the disposition of such asset during the ten-year period beginning on the date on which such asset was acquired by us, then we will be subject to the built-in gain rule. Built-in gain is the excess of the fair market value of such property at the time of acquisition by us over the adjusted basis in such property at such time. Under the built-in gain rule, we will be subject to tax on such gain at the highest regular corporate rate applicable;

- if it is determined that amounts of certain income and expense were not allocated between us and a Taxable REIT Subsidiary (as defined herein) on the basis of arm s-length dealing, or to the extent we change a Taxable REIT Subsidiary interest in excess of a commercially reasonable rate, we will be subject to a tax equal to 100% of those amounts;

- if we fail to comply with the requirement to send annual letters to our shareholders requesting information regarding the actual ownership of our shares, and the failure was not due to reasonable cause or to willful neglect, we will be required to pay a penalty of $25,000, or if the failure is intentional, a $50,000 penalty; and

- Certain of our subsidiaries are C corporations, the earnings of which will be subject to United States federal and state income tax.

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Requirements for Qualification

The Code defines a REIT as a corporation, trust, or association:

(a) that is managed by one or more trustees or directors;

(b) the beneficial ownership of which is evidenced by transferable shares or by transferable certificates of beneficial interest;

(c) that would be taxable as a domestic corporation, but for Sections 856 through 859 of the Code;

(d) that is neither a financial institution nor an insurance company subject to specific provisions of the Code;

(e) the beneficial ownership of which is held by 100 or more persons;

(f) during the last half of each taxable year not more than 50% in value of the outstanding stock of which is owned, directly or indirectly, by five or fewer individuals; and

(g) that meets other tests, described below, regarding the nature of its income and assets.

The Code provides that conditions (a) through (d), inclusive, must be met during the entire taxable year and that condition (e) must be met during at least 335 days of a taxable year of 12 months, or during a proportionate part of a taxable year of less than 12 months. Conditions (e) and (f), however, will not apply until after the first taxable year for which an election is made to be taxed as a REIT. We believe we have issued and have outstanding sufficient shares of stock with sufficient diversity of ownership to allow us to satisfy conditions (e) and (f). In addition, we intend to comply with Treasury regulations requiring us to ascertain the actual ownership of our outstanding shares. Our charter includes restrictions regarding the transfer of shares of capital stock that are intended to assist us in continuing to satisfy the share ownership requirements described in (e) and (f) above. See Restrictions on Ownership of Capital Stock beginning on page 11 of this prospectus.

If a REIT owns a corporate subsidiary that is a qualified REIT subsidiary (generally, a corporation wholly owned by the REIT), that subsidiary is disregarded for federal income tax purposes and all assets, liabilities and items of income, deduction and credit of the subsidiary are treated as assets, liabilities and items of the REIT itself. Similarly, a single member limited liability company owned by the REIT or by the operating

partnership is generally disregarded as a separate entity for federal income tax purposes.

In the case of a REIT that is a partner in a partnership, Treasury regulations provide that for purposes of the gross income tests and asset tests, the REIT will be deemed to own its proportionate share, based on its interest in partnership capital, of the assets of the partnership and will be deemed to be entitled to the income of the partnership attributable to such share. In addition, the assets and gross income of the partnership will retain the same character in the hands of the REIT for purposes of Section 856 of the Code, including satisfying the gross income tests and asset tests, that they have in the hands of the partnership. Thus, our proportionate share of the assets, liabilities and items of gross income of the operating partnership will be treated as our assets, liabilities and items of gross income for purposes of applying the requirements described herein.

Finally, a corporation may not elect to become a REIT unless its taxable year is the calendar year. Our taxable year is the calendar year.

Income Tests. In order to maintain qualification as a REIT, we must annually satisfy two gross income tests. First, at least 75% of the REIT s gross income, excluding gross income from prohibited transactions, certain hedging

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transactions entered into after July 30, 2008, and certain foreign currency gains recognized after July 30, 2008, for each taxable year must be derived directly or indirectly from investments relating to real property or mortgages on real property, including rents from real property and, in specific circumstances, from certain types of temporary investments. Second, at least 95% of the REIT s gross income, excluding gross income from prohibited transactions, certain hedging transactions, and certain foreign currency gains recognized after July 30, 2008, for each taxable year must be derived from such real property investments described above and from dividends, interest and gain from the sale or disposition of stock or securities, or from any combination of the foregoing. If we fail to satisfy one or both of the 75% or the 95% gross income tests for any taxable year, we nevertheless may qualify as a REIT for such year if we are entitled to relief under specific provisions of the Code. These relief provisions generally are available if our failure to meet any such tests was due to reasonable cause and not due to willful neglect, we attach a schedule of the sources of our income to our federal corporate income tax return and any incorrect information on the schedule was not due to fraud with intent to evade tax. It is not possible, however, to state whether in all circumstances we would be entitled to the benefit of these relief provisions. As discussed above, even if these relief provisions were to apply, a tax would be imposed with respect to the non-qualifying gross income.

For purposes of the income tests, rents received by a REIT will qualify as rents from real property only if the following conditions are met:

- the amount of rent must not be based in whole or in part on the income or profits of any person. However, an amount received or accrued generally will not be excluded from rents from real property solely by reason of being based on a fixed percentage or percentages of receipts or sales;

- rents received from a tenant generally will not qualify as rents from real property in satisfying the gross income tests if the REIT, or a direct or indirect owner of 10% or more of the REIT, owns 10% or more, directly or constructively, owns 10% or more of such tenant;

- if rent attributable to personal property, leased in connection with a lease of real property, is greater than 15% of the total rent received under the lease, then the portion of rent attributable to such personal property will not qualify as rents from real property; and

- the REIT generally must not operate or manage the property or furnish or render services to tenants, except through a Taxable REIT Subsidiary (as defined herein) or through an independent contractor who is adequately compensated and from whom the REIT derives no income.

The independent contractor requirement, however, does not apply to the extent the services provided by the REIT are usually or customarily rendered in connection with the rental of space for occupancy only and are not otherwise considered rendered to the occupant. Additionally, under the de minimis rule for noncustomary services, if the value of the noncustomary service income with respect to a property, valued at no less than 150% of the REIT s direct costs of performing such services, is 1% or less of the total income derived from the property, then the noncustomary service income will not cause other income from the property to fail to qualify as rents from real property (but the noncustomary service income itself will never qualify as rents from real property).

We have received a favorable ruling from the IRS with respect to our provision of telecommunication services, including high-speed Internet access, to our tenants. Under the ruling, providing these services to a property will not disqualify rents received from the property. In addition,

amounts that we receive for providing these services will constitute rents from real property.

From time to time, we may enter into hedging transactions with respect to one or more of our assets or liabilities. Our hedging activities may include entering into interest rate swaps, caps and floors, options to purchase these items, and futures and forward contracts. Income from a hedging transaction, including gain from the sale or disposition of such a transaction, that is clearly identified as a hedging transaction as specified in the Code will not constitute gross income and thus will be exempt from the 95% gross income test to the extent such a hedging transaction is entered into on or after January 1, 2005, and will not constitute gross income and thus will be exempt from the 75% gross income test as well as the 95% gross income test to the extent such hedging transaction is entered into after July 30, 2008. Income and gain from a hedging transaction, including gain from the sale or disposition of such a transaction, entered into on or prior to July 30, 2008 will be treated as nonqualifying income for purposes of the 75% gross income test. Income and gain from a hedging transaction, including gain from the sale

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or disposition of such a transaction, entered into prior to January 1, 2005 will be qualifying income for purposes of the 95% gross income test. The term hedging transaction, as used above, generally means any transaction we enter into in the normal course of our business primarily to manage risk of (1) interest rate changes or fluctuations with respect to borrowings made or to be made by us to acquire or carry real estate assets, or (2) for hedging transactions entered into after July 30, 2008, currency fluctuations with respect to an item of qualifying income under the 75% or 95% gross income test. To the extent that we do not properly identify such transactions as hedges or we hedge with other types of financial instruments, the income from those transactions is not likely to be treated as qualifying income for purposes of the gross income tests. We intend to structure any hedging transactions in a manner that does not jeopardize our status as a REIT.

Prohibited Transaction Income. Any gain that we realize (including any net foreign currency gain recognized after July 30, 2008) on the sale of property held as inventory or otherwise held primarily for sale to customers in the ordinary course of business (other than foreclosure property) will be treated as income from a prohibited transaction that is subject to a 100% penalty tax. This prohibited transaction income may also adversely affect our ability to satisfy the income tests for qualification as a REIT. Under existing law, whether property is held as inventory or primarily for sale to customers in the ordinary course of a trade or business is a question of fact that depends on all the facts and circumstances surrounding the particular transaction. We intend to hold our properties for investment with a view to long-term appreciation, to engage in the business of acquiring, developing and owning our properties and to make occasional sales of the properties as are consistent with our investment objectives. We do not intend to enter into any sales that are prohibited transactions. However, the IRS may successfully contend that some or all of our sales are prohibited transactions, and we would be required to pay the 100% penalty tax on the gains resulting from any such sales.

Penalty Tax. Any redetermined rents, redetermined deductions or excess interest we generate will be subject to a 100% penalty tax. In general, redetermined rents are rents from real property that are overstated as a result of any services furnished to any of our tenants by one of our taxable REIT subsidiaries, and redetermined deductions and excess interest represent any amounts that are deducted by a taxable REIT subsidiary for amounts paid to us that are in excess of the amounts that would have been deducted based on arm s-length negotiations. Rents we receive will not constitute redetermined rents if they qualify for certain safe harbor provisions contained in the Code.

From time to time our taxable REIT subsidiaries may provide services to our tenants. We intend to set any fees paid to our taxable REIT subsidiaries for such services at arm s-length rates, although the fees paid may not satisfy the safe-harbor provisions described above. These determinations are inherently factual, and the IRS has broad discretion to assert that amounts paid between related parties should be reallocated to clearly reflect their respective incomes. If the IRS successfully made such an assertion, we would be required to pay a 100% penalty tax on the excess of an arm s-length fee for tenant services over the amount actually paid.

Asset Tests. In order to maintain qualification as a REIT, we must also satisfy, at the close of each quarter of our taxable year, the following tests relating to the nature of our assets:

- at least 75% of the value of our total assets must be represented by real estate assets, including (a) our allocable share of real estate assets held by the operating partnership or any partnerships in which the operating partnership owns an interest and (b) stock or debt instruments held for not more than one year purchased with the proceeds of a stock offering or long-term (i.e., at least five-year) public debt offering of SL Green, cash, cash items and government securities;

- no more than 25% of the value of our total assets may consist of securities other than those that qualify under the 75% test described above;

- no more than 25% (20% for our taxable years beginning before January 1, 2009) of the value of our total assets may be securities of one or more Taxable REIT Subsidiaries; and

- except for securities in the 75% asset class and securities of a Taxable REIT Subsidiary or a qualified REIT subsidiary: (a) the value of any one issuer s securities owned by us may not exceed 5% of the value of our total assets; (b) we may not own more than 10% of the total voting power of any one issuer s outstanding

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securities; and (c) we may not own more than 10% of the total value of any one issuer s outstanding securities (other than certain straight debt securities).

We own in excess of 10% of the stock of each of Gramercy Capital Corp. and a number of non-publicly traded REITs, each of which has elected to be taxed as a REIT for federal income tax purposes. As a REIT, each of these companies is subject to the various REIT qualification requirements. We believe that each of these companies has been organized and has operated in a manner to qualify for taxation as a REIT for federal income tax purposes and will continue to be organized and operated in this manner. If any of these companies were to fail to qualify as a REIT, our interest in the stock of such company could cease to be a qualifying real estate asset for purposes of the 75% asset test and could thus become subject to the 5% asset test, the 10% voting stock limitation and the 10% value limitation applicable to our ownership in corporations generally (other than REITs, qualified REIT subsidiaries and Taxable REIT Subsidiaries). As a result, we could fail to qualify as a REIT.

A *Taxable REIT Subsidiary* is a corporation in which we own an interest that may earn income that would not be qualifying income if we earned it directly and may hold assets that would not be qualifying assets if we held them directly. We may hold up to 100% of the stock in a Taxable REIT Subsidiary. To treat a corporation as a Taxable REIT Subsidiary, we and the corporation must make a joint election by filing a Form 8875 with the IRS. A Taxable REIT Subsidiary will be liable for tax at corporate rates on any income it earns. Moreover, to prevent shifting of income and expenses between us and a Taxable REIT Subsidiary, the Code imposes on us a tax equal to 100% of certain items of income and expense that are not allocated between us and the Taxable REIT Subsidiary at arm s length. The 100% tax is also imposed to the extent we charge a Taxable REIT Subsidiary interest in excess of a commercially reasonable rate.

After initially meeting an asset test at the close of any quarter, we will not lose our status as a REIT for failure to satisfy that asset test at the end of a later quarter solely by reason of changes in asset values (including, for tax years beginning after July 30, 2008, a discrepancy caused solely by the change in the foreign currency exchange rate used to value a foreign asset). If the failure to satisfy the asset test results from an acquisition of securities or other property during a quarter, the failure can be cured by disposition of sufficient nonqualifying assets within 30 days after the close of that quarter.

Effective beginning with our 2005 taxable year, we would not lose our REIT status as the result of a failure to meet the 5% test, the 10% vote test or the 10% value test if the value of the assets causing the violation did not exceed the lesser of 1% of the value of our assets at the end of the quarter in which the violation occurred or $10,000,000 and we were to cure the violation by disposing of assets within six months of the end of the quarter in which we identified the failure. In addition, for a failure to meet the 5% test, the 10% vote test or the 10% value test that is larger than this amount, and for a failure to meet the 75% test, the 25% test, or the 25% (20% for our taxable years beginning before January 1, 2009) taxable REIT subsidiary asset test, we would not lose our REIT status if the failure were for reasonable cause and not due to willful neglect and we were to (i) file a schedule with the IRS describing the assets causing the violation, (ii) cure the violation by disposing of assets within six months of the end of the quarter in which we identified the failure and (iii) pay a tax equal to the greater of $50,000 or the product derived by multiplying the highest federal corporate income tax rate by the net income generated by the non-qualifying assets during the period of the failure. It is not possible, however, to state whether in all cases we would be entitled to these relief provisions.

Annual Distribution Requirements. In order to qualify as a REIT, we are required to distribute dividends, other than capital gain dividends, to our stockholders in an amount at least equal to (a) the sum of (A) 90% of our REIT taxable income (computed without regard to the dividends paid deduction and our net capital gain) and (B) 90% of the net income, after tax, if any, from foreclosure property, minus (b) the sum of specific items of non-cash income. We must pay the distribution during the taxable year to which the distributions relate, or during the following taxable year, if declared before we timely file our tax return for the preceding year and paid on or before the first regular dividend payment after the declaration. In addition, a dividend declared and payable to a stockholder of record in October, November or December of any year may be treated as paid and received on December 31 of such year even if paid in January of the following year. To the extent that we do not distribute all of our net capital gain or distribute at least 90%, but less than 100%, of our REIT ordinary taxable income, we will be subject to tax on the

undistributed amount at regular corporate capital gain and ordinary income rates, respectively. Furthermore, if we fail to distribute during each calendar year at least the sum of (a) 85% of our REIT ordinary income for such

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year, (b) 95% of our REIT capital gain income for such year and (c) any undistributed taxable income from prior periods, we will be subject to a 4% excise tax on the excess of such amounts over the amounts actually distributed.

We intend to make timely distributions sufficient to satisfy the annual distribution requirements. In this regard, it is expected that our REIT taxable income will be less than our cash flow due to the allowance of depreciation and other non-cash charges in computing REIT taxable income. Moreover, the partnership agreement of the operating partnership authorizes us, as general partner, to take such steps as may be necessary to cause the operating partnership to make distributions to its partners in amounts sufficient to permit us to meet these distribution requirements. It is possible, however, that we may not have sufficient cash or other liquid assets to meet the 90% distribution requirement. In the event that such circumstances do occur, then in order to meet the 90% distribution requirement, we may cause the operating partnership to arrange for short-term, or possibly long-term, borrowings to permit the payment of required distributions.

In addition, IRS Revenue Procedure 2009-15 and IRS Revenue Procedure 2010-12 set forth a safe harbor pursuant to which certain part-stock and part-cash dividends distributed by REITs with respect to our 2009, 2010 and 2011 taxable years, will satisfy the REIT distribution requirements. Under the terms of these IRS Revenue Procedures, up to 90% of our dividends could be paid with our stock. We paid our 2009 dividends entirely in the form of cash and we currently intend to pay our 2010 and 2011 dividends entirely in the form of cash. However, final determination is subject to formal declaration of such dividends by our board of directors.

Under specific circumstances, we may rectify a failure to meet the distribution requirement for a year by paying deficiency dividends to stockholders in a later year that may be included in our deduction for dividends paid for the earlier year. Thus, we may be able to avoid being taxed on amounts distributed as deficiency dividends. However, we would be required to pay to the IRS interest based upon the amount of any deduction taken for deficiency dividends.

Failure to Qualify

If we fail to qualify for taxation as a REIT in any taxable year and certain relief provisions do not apply, we will be subject to tax, including any applicable alternative minimum tax, on our taxable income at regular corporate rates. Distributions to stockholders in any year in which we fail to qualify as a REIT will not be deductible by us, nor will we be required to make distributions. Unless entitled to relief under specific statutory provisions, we also will be disqualified from taxation as a REIT for the four taxable years following the year during which qualification was lost. It is not possible to state whether in all circumstances we would be entitled to such statutory relief.

Effective beginning with our 2005 taxable year, we would not lose our REIT status as the result of a failure to satisfy certain REIT requirements, such as requirements involving our organizational structure, if the failure was due to reasonable cause and not due to willful neglect and we were to pay a tax of $50,000. It is not possible, however, to state whether in all cases we would be entitled to this statutory relief.

Taxation of Stockholders

This discussion does not address all of the tax consequences that may be relevant to particular stockholders in light of their particular circumstances. Stockholders should consult their own tax advisors for a complete description of the tax consequences of investing in our stock.

As used herein, the term U.S. Stockholder means any beneficial owner of our stock, other than an entity or arrangement treated as a partnership for U.S. federal income tax purposes, that is, for U.S. federal income tax purposes (i) a citizen or resident of the United States, (ii) a corporation (or other entity treated as a corporation for U.S. federal income tax purposes) created or organized in or under the laws of the United States, any state thereof or the District of Columbia, (iii) an estate the income of which is subject to U.S. federal income taxation regardless of its source, (iv) a trust if (A) a court within the United States is able to exercise primary supervision over the administration of the trust and (B) one or more United States persons have the authority to control all substantial decisions of the trust, or (v) an eligible trust that elects to be taxed as a U.S. person under applicable Treasury Regulations.

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As used herein, the term Non-U.S. Stockholder means a beneficial owner of our stock, other than an entity or arrangement treated as a partnership for U.S. federal income tax purposes, that is not a U.S. Stockholder.

If a partnership (including for this purpose any entity or arrangement treated as a partnership for U.S. federal income tax purposes) is a beneficial owner of SL Green common stock, the treatment of a partner in the partnership will generally depend upon the status of the partner, the activities of the partnership and certain determinations made at the partner level. A beneficial owner of SL Green common stock that is a partnership and partners in such partnership should consult their tax advisors about the U.S. federal income tax consequences of owning and disposing of SL Green common stock received pursuant to an exchange of a note.

U.S. Stockholders

Distributions. As long as we qualify as a REIT, distributions made to our taxable U.S. Stockholders out of current or accumulated earnings and profits and not designated as capital gain dividends will be taken into account by them as ordinary income. Corporate stockholders will not be eligible for the dividends received deduction as to such amounts. Earnings and profits are allocated to distributions with respect to preferred stock before they are allocated to distributions with respect to common stock. Distributions that are designated as capital gain dividends will be taxed as capital gains to the extent they do not exceed our actual net capital gain for the taxable year without regard to the period for which the stockholder has held our stock. If we elect to retain and pay income tax on any net capital gain, a U.S. Stockholder would include in their income as capital gain their proportionate share of such net capital gain. A U.S. Stockholder would also receive the right to claim a refundable tax credit for such stockholder s proportionate share of the tax paid by us on such retained capital gains and an increase in its basis in our stock. This increase in basis will be in an amount equal to the excess of the undistributed capital gains over the amount of tax paid thereon by us. Distributions in excess of current and accumulated earnings and profits will not be taxable to a U.S. Stockholder to the extent that they do not exceed the adjusted basis of the stock, but rather will reduce the adjusted basis of such U.S. Stockholder s stock. To the extent that such distributions exceed a U.S. Stockholder s adjusted basis in the stock, such distribution will be included in income as capital gain, assuming the stock is a capital asset in the hands of the stockholder.

Any dividend declared by us in October, November or December of any year payable to a stockholder of record on a specific date in any such month shall be treated as both paid by us and received by the stockholder on December 31 of such year, provided the dividend is actually paid by us during January of the following calendar year.

Under IRS Revenue Procedure 2009-15 and IRS Revenue Procedure 2010-12, a REIT is permitted to pay taxable dividends in 2009, 2010 and 2011 of which up to 90% of the dividend is payable with the REIT s stock. If we were to pay such a dividend, taxable U.S. Stockholders would generally be required to report the full amount of the dividend, including the fair market value of any stock distributed, as ordinary income. We paid our 2009 dividends entirely in the form of cash, and we currently intend to pay our 2010 and 2011 dividends entirely in the form of cash. However, final determination is subject to formal declaration of such dividends by our board of directors.

Sale or Exchange. In general, a taxable U.S. Stockholder recognizes capital gain or loss on the sale or exchange of our stock equal to the difference between (a) the amount of cash and the fair market value of any property received on such disposition, and (b) the stockholder s adjusted basis in the stock. To the extent a U.S. Stockholder who is an individual, a trust or an estate holds the stock for more than one year, any gain recognized would be subject to tax rates applicable to long-term capital gains. However, any loss recognized by a U.S. Stockholder from selling or otherwise disposing of our stock held for six months or less will be treated as long-term capital loss to the extent of dividends received by the stockholder that were required to be treated as long-term capital gains.

Tax Rates On Capital Gains. The maximum tax rate for non-corporate U.S. Stockholders for (1) capital gains, including certain capital gain dividends, has generally been temporarily reduced to 15% (although depending on the characteristics of the assets which produced these gains and on designations which we may make, certain capital gain dividends may be taxed at a 25% rate) and (2) qualified dividend income has generally been reduced to 15%. In general, dividends payable by REITs are not eligible for the reduced tax rate on qualified dividend income, except to the extent that certain holding requirements have been met and the REIT s dividends are

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attributable to dividends received from taxable corporations (such as its taxable REIT subsidiaries) or to income that was subject to tax at the corporate/REIT level (for example, if it distributed taxable income that it retained and paid tax on in the prior taxable year). The currently applicable provisions of the United States federal income tax laws relating to the 15% tax rate are currently scheduled to sunset or revert to the provisions of prior law effective for taxable years beginning after December 31, 2010, at which time the capital gains tax rate will be increased to 20% and the rate applicable to dividends will be increased to the tax rate then applicable to ordinary income. U.S. Stockholders that are corporations may, however, be required to treat up to 20% of some capital gain dividends as ordinary income. In addition, we may be required to withhold a portion of capital gain distributions made to any stockholders who fail to certify their U.S. status to us.

Backup Withholding. We will report to our U.S. Stockholders and the IRS the amount of dividends paid during each calendar year and the amount of tax withheld, if any, with respect thereto. Under the backup withholding rules, a stockholder may be subject to backup withholding currently at a rate of 28% with respect to dividends paid unless the stockholder (a) is a corporation or comes within other exempt categories and, when required, demonstrates this fact, or (b) provides a taxpayer identification number and certifies with respect to certain matters, and otherwise complies with the applicable requirements of the backup withholding rules.

An individual who is a U.S. Stockholder may satisfy the requirements for avoiding backup withholding by providing us with an appropriately prepared IRS Form W-9. If a U.S. Stockholder does not provide us with their correct taxpayer identification number, then the U.S. Stockholder may also be subject to penalties imposed by the IRS.

Backup withholding is not an additional tax. Any amounts withheld under the backup withholding rules will be refunded or credited against the U.S. Stockholders federal income tax liability, provided the U.S. Stockholder timely furnishes the required information to the IRS.

Taxation of Tax-Exempt Stockholders

The IRS has ruled that amounts distributed as dividends by a REIT generally do not constitute unrelated business taxable income (UBTI) when received by a U.S. tax-exempt entity. Based on that ruling, the dividend income from our stock will not be UBTI to a U.S. tax-exempt stockholder, provided that the tax-exempt U.S. stockholder has not held stock as debt financed property within the meaning of the Code and such stock is not otherwise used in a trade or business unrelated to the tax-exempt stockholder s exempt purpose. Similarly, income from the sale of the stock will not constitute UBTI unless such tax-exempt stockholder has held such stock as debt financed property within the meaning of the Code or has used the stock in a trade or business.

Notwithstanding the above paragraph, if we are a pension-held REIT, then any qualified pension trust that holds more than 10% of our stock will have to treat dividends as UBTI in the same proportion that our gross income would be UBTI. A qualified pension trust is any trust described in Section 401(a) of the Code that is exempt from tax under Section 501(a) of the Code. In general, we will be treated as a pension-held REIT if both (a) we are predominantly owned by qualified pension trusts (i.e., if one such trust holds more than 25% of the value of our stock or one or more such trusts, each holding more than 10% of the value of our stock, collectively hold more than 50% of the value of our stock) and (b) we would not be a REIT if we had to treat our stock held by qualified pension trust as owned by the qualified pension trust (instead of treating such stock as owned by the qualified pension trust s multiple beneficiaries). Although we do not anticipate being classified as a pension-held REIT, we cannot assume that this will always be the case.

In addition, if you are a tax-exempt stockholder described in Section 512(a)(3) of the Code, then distributions received from us may also constitute UBTI. You are described in Section 512(a)(3) of the Code if you qualify for exemption under Sections 501(c)(7), (9), (17), or (20) of the Code.

Taxation of Non-U.S. Stockholders

The rules governing the U.S. federal income taxation of a Non-U.S. Stockholder are complex and no attempt will be made herein to provide more than a summary of such rules. Non-U.S. Stockholders should consult with their own tax advisors to determine the impact of U.S. Federal, state and local income tax laws with regard to an investment in our stock, including any reporting requirements.

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Ordinary Dividends. Distributions, other than distributions that are treated as attributable to gain from sales or exchanges by us of U.S. real property interests and other than distributions designated by us as capital gain dividends, will be treated as ordinary income to the extent that they are made out of our current or accumulated earnings and profits. Such distributions to Non-U.S. Stockholders will ordinarily be subject to a withholding of U.S. federal income tax equal to 30% of the gross amount of the distribution, unless an applicable tax treaty reduces that tax rate. However, if income from the investment in the shares of our stock is treated as effectively connected with the Non-U.S. Stockholder s conduct of a U.S. trade or business, the Non-U.S. Stockholder generally will be subject to a tax at graduated rates in the same manner as U.S. stockholders are taxed with respect to such dividends and may also be subject to the 30% branch profits tax if the stockholder is a foreign corporation.

Under IRS Revenue Procedure 2009-15 and IRS Revenue Procedure 2010-12, a REIT is permitted to pay taxable dividends in 2009, 2010 and 2011 of which up to 90% of the dividend is payable with the REIT s stock. If we were to pay such a dividend, we generally would be required to withhold U.S. federal income tax with respect to such dividends paid to Non-U.S. Stockholders, including in respect of all or a portion of such dividend that is payable in stock. We paid our 2009 dividends entirely in the form of cash and we currently intend to pay our 2010 and 2011 dividends entirely in the form of cash. However, final determination is subject to formal declaration of such dividends by our board of directors.

Dividends paid to an address in a country outside the United States are not presumed to be paid to a resident of such country for purposes of determining the applicability of withholding discussed above and the applicability of a tax treaty rate. A Non-U.S. Stockholder who wishes to claim the benefit of an applicable treaty rate generally will need to satisfy certification and other requirements, such as providing an IRS Form W-8BEN. A Non-U.S. Stockholder who wishes to claim that distributions are effectively connected with a United States trade or business, generally will need to satisfy certification and other requirements in order to avoid withholding, such as providing IRS Form W-8ECI. Other requirements may apply to Non-U.S. Stockholders that hold their shares through a financial intermediary or foreign partnership.

Return of Capital. Distributions in excess of our current and accumulated earnings and profits, which are not treated as attributable to the gain from the disposition by us of a U.S. real property interest, will not be taxable to a Non-U.S. Stockholder to the extent that they do not exceed the adjusted basis of our stock, but rather will reduce the adjusted basis of such stock. To the extent that such distributions exceed the adjusted basis of the stock, they will give rise to tax liability if the Non-U.S. Stockholder otherwise would be subject to tax on any gain from the sale or disposition of its stock, as described below. If it cannot be determined at the time a distribution is made whether such distribution will be in excess of current and accumulated earnings and profits, the distribution will be subject to withholding of U.S. federal income tax at the rate applicable to dividends. However, the Non-U.S. Stockholder may seek a refund of such amounts from the IRS to the extent it is subsequently determined that such distribution was, in fact, in excess of our current and accumulated earnings and profits.

Capital Gain Dividends. For any year in which we qualify as a REIT, distributions that are attributable to gain from sales or exchanges by us of U.S. real property interests will be taxed to a Non-U.S. Stockholder under the provisions of the Foreign Investment in Real Property Tax Act of 1980, as amended (FIRPTA). Under FIRPTA, these distributions are taxed to a Non-U.S. Stockholder as if such gain were effectively connected with a U.S. business. Thus, Non-U.S. Stockholders will be taxed on such distributions at the same capital gain rates applicable to U.S. stockholders, subject to any applicable alternative minimum tax and special alternative minimum tax (in the case of nonresident alien individuals), without regard to whether such distributions are designated by us as capital gain dividends. Also, distributions subject to FIRPTA may be subject to a 30% branch profits tax in the hands of a corporate Non-U.S. Stockholder not entitled to treaty relief or exemption. We are required by applicable Treasury Regulations under FIRPTA to withhold 35% of any distribution that could be designated by us as a capital gain dividend. However, capital gain dividends paid to a Non-U.S. Stockholder with respect to a class of REIT stock that is regularly traded on an established securities market in the United States will be treated as ordinary dividends, and not as capital gain dividends subject to FIRPTA, if the Non-U.S. Stockholder owns no more than 5% of the class of stock at any time during the one-year period ending on the dividend payment date.

Sale or Exchange of Stock. Gain recognized by a Non-U.S. Stockholder upon a sale or exchange of stock, including a redemption that is treated as a sale, generally will not be taxed under FIRPTA if we are a domestically controlled REIT. A REIT is a domestically controlled qualified investment entity if at all times during a specified testing period less than 50% in value of its stock is held directly or indirectly by Non-U.S. persons. However, gain

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not subject to FIRPTA will be taxable to a Non-U.S. Stockholder if (a) investment in the stock is treated as effectively connected with the Non-U.S. Stockholder s U.S. trade or business, in which case the Non-U.S. Stockholder will be subject to the same treatment as U.S. stockholders with respect to such gain, or (b) the Non-U.S. Stockholder is a nonresident alien individual who was present in the United States for 183 days or more during the taxable year (and certain other requirements are met), in which case the nonresident alien individual will be subject to a 30% tax on the individual s capital gains. A similar rule will apply to capital gain dividends not subject to FIRPTA.

Although we anticipate that we will qualify as a domestically controlled qualified investment entity, we cannot assume that we will continue to so qualify. If we were not a domestically controlled qualified investment entity, whether or not a Non-U.S. Stockholder s sale of stock would be subject to tax under FIRPTA would depend on whether or not the stock was regularly traded on an established securities market and on the size of the selling Non-U.S. Stockholder s interest in us. Currently, our stock is regularly traded on an established securities market. However, we cannot assure you that our stock will be so traded at the time you may wish to dispose of our stock. If the gain on the sale of the stock were to be subject to tax under FIRPTA, the Non-U.S. Stockholder would be subject to the same treatment as U.S. stockholders with respect to such gain, subject to any applicable alternative minimum tax and a special alternative minimum tax (in the case of nonresident alien individuals) and the purchaser of such stock may be required to withhold 10% of the gross purchase price.

Backup Withholding and Information Reporting. Information reporting requirements and backup withholding generally will not apply to payments made by us or our agent on stock to a Non-U.S. Stockholder if IRS Form W-8BEN (or suitable substitute form) is duly provided by such holder, provided that the withholding agent does not have actual knowledge that the holder is a U.S. person. An IRS Form W-8BEN is generally effective for the remainder of the year of signature plus three full calendar years unless a change in circumstances renders any information on the form incorrect. Notwithstanding the preceding sentence, an IRS Form W-8BEN with a U.S. taxpayer identification number will remain effective until a change in circumstances makes any information on the form incorrect, provided that the withholding agent reports at least annually to the beneficial owner. The beneficial owner must inform the withholding agent within 30 days of such change and furnish a new IRS Form W-8BEN. A Non-U.S. Stockholder that is not an individual or corporation (or an entity treated as a corporation for U.S. federal income tax purposes) holding the stock on its own behalf may have substantially increased reporting requirements and should consult its tax advisor.

Information reporting requirements and backup withholding will not apply to any payment of the proceeds of the sale of stock effected outside the United States by a non-U.S. office of a broker (as defined in applicable Treasury Regulations), unless such broker (i) is a United States person, (ii) derives 50% or more of its gross income for certain periods from the conduct of a trade or business in the United States, (iii) is a controlled foreign corporation within the meaning of the Code or (iv) is a U.S. branch of a foreign bank or a foreign insurance company. Payment of the proceeds of any such sale effected outside the United States by a non-U.S. office of any broker that is described in (i), (ii) or (iii) of the preceding sentence will not be subject to backup withholding, but will be subject to the information reporting requirements unless such broker has documentary evidence in its records that the beneficial owner is a Non-U.S. Stockholder and certain other conditions are met, or the beneficial owner otherwise establishes an exemption.

Payment of the proceeds of any such sale to or through the United States office of a broker is subject to information reporting and backup withholding requirements, unless the beneficial owner of the stock provides IRS Form W-8BEN or otherwise establishes an exemption.

Backup withholding is not an additional tax. Any amount withheld from a payment to a holder of a stock under the backup withholding rules is allowable as a credit against such holder s U.S. federal income tax liability (which might entitle such holder to a refund), provided that such holder timely furnishes the required information to the IRS.

Recent Legislation

On March 18, 2010, the President signed into law the Hiring Incentives to Restore Employment Act of 2010, or the HIRE Act. The HIRE Act imposes a U.S. withholding tax at a 30% rate on dividends and proceeds of sale in respect of our stock received by U.S. Stockholders who own their shares through foreign accounts or foreign

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intermediaries and certain Non-U.S. Stockholders if certain disclosure requirements related to U.S. accounts or ownership are not satisfied. If payment of withholding taxes is required, Non-U.S. Stockholders that are otherwise eligible for an exemption from, or reduction of, U.S. withholding taxes with respect to such dividends and proceeds will be required to seek a refund from the IRS to obtain the benefit of such exemption or reduction. We will not pay any additional amounts in respect of any amounts withheld. These new withholding rules are generally effective for payments made after December 31, 2012.

On March 30, 2010, the President signed into law the Health Care and Education Reconciliation Act of 2010, or the Reconciliation Act. The Reconciliation Act will require certain U.S. Stockholders who are individuals, estates or trusts to pay a 3.8% Medicare tax on, among other things, dividends on and capital gains from the sale or other disposition of our stock, subject to certain exceptions. This tax will apply for taxable years beginning after December 31, 2012. U.S. Stockholders should consult their tax advisors regarding the effect, if any, of the Reconciliation Act on their ownership and disposition of our stock.

Other Tax Considerations

Effect of Tax Status of Operating Partnership and Other Entities on REIT Qualification

All of our significant investments are held through the operating partnership. The operating partnership may hold interests in properties through property-owning entities. The operating partnership and the property-owning entities involve special tax considerations. These tax considerations include:

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FY 2013 Stock Option and Restricted Stock Award Decisions

We granted stock options that we awarded to executives in fiscal year 2013 under the 2007 Stock Option Plan. The exercise price of fiscal year 2013 stock options is equal to the closing price of our common stock on the date of the grant. The Committee does not engage in, or permit, backdating or repricing of stock options, all of which are strictly prohibited. We will make stock option grants for fiscal year 2014 and beyond under the 2012 Omnibus Incentive Plan approved by Shareholders in January 2013 which prohibits backdating, repricing, or cash buyouts of stock options.

For the fiscal year 2013-2015 three-year performance period, we established a 3-year fixed goal for long-term incentive performance measures, with awards granted in performance-based share units.

In response to shareholder feedback, we set fixed annual goals at the start of the 3-year period rather than resetting goals annually.

Payouts beginning in 2015 for the LTIPP will be in shares rather than in cash.

Changes to Granting of Stock Options and Restricted Stock

In response to shareholder feedback, the Committee has made efforts to create a stronger, more direct link between compensation and performance. Beginning in fiscal year 2013, more weight has been placed on performance-based equity. This includes both stock options and performance-based share units within the overall long-term incentive mix.

In addition, based on shareholder input and market trends, beginning in fiscal year 2014 vesting of restricted stock will occur 100% after three years.

Special Stock Option and Restricted Stock Awards

We use other types of equity awards such as restricted stock or restricted stock units (RSUs) infrequently for purposes of recruitment, retention or recognition. Vesting for these awards typically occurs after five years and in all cases the awards are forfeited if the participant voluntarily terminates employment prior to vesting. In September 2013, the Committee approved a grant under the Company s Omnibus Incentive Plan of 60,000 RSUs to Mr. McDonald. The RSUs, which are subject to forfeiture until the fifth anniversary of the grant date, are designed to recognize this key executive for his strong current and expected future contributions to our company and to serve as an incentive to provide continuity during the CEO transition.

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Retirement

Grounded in the market practices of our Compensation Peer Group and general industry data, retirement benefits are also a critical element to the competitiveness of an executive compensation program. Johnson Controls provides three retirement benefit plans to all U.S. salaried employees; NEOs are eligible for an additional plan.

Retirement Benefit Plans

Johnson Controls provides retirement benefits to help NEOs prepare financially for retirement. NEOs are eligible for the following retirement benefit plans:

- Pension Plan (plan will be frozen beginning January 1, 2015)
- 401(k) Plan (available to all employees)
- Retirement Restoration Plan (available to all employees)
- Executive Deferred Compensation Plan

Pension Plan

All U.S. salaried employees hired before January 1, 2006, participate in the pension plan. Employees with five years of employment are eligible to receive certain benefits upon retirement. **Beginning January 1, 2015, this plan will be frozen and employees including NEOs will no longer accrue future pension benefits under this plan.** Therefore, compensation earned after December 31, 2014, does not count in determining average compensation under the pension plan formula. Employees who were originally York International Corp. employees, including Mr. Myers, do not receive credit towards the pension plan for their service after December 31, 2003.

All current NEOs participate in the pension plan, with the exception of Dr. Bolzenius. Under an agreement negotiated with Dr. Bolzenius at the time of his employment, Johnson Controls will continue to recognize Dr. Bolzenius German pension agreement, which provides benefits consistent with those given to senior executives of a German company.

401(k) Plan

All U.S. employees are eligible for the 401(k) plan, including NEOs other than Dr. Bolzenius. Participants can contribute up to 25 percent of their compensation on a pre-tax basis; however, executive officers can contribute only up to 6 percent of their compensation. Based on company performance, Johnson Controls matches 75 percent to 100 percent of each dollar an employee contributes, up to 6 percent of the employee s eligible compensation.

However, employees that we hired on or after January 1, 2006, or who were originally York employees and no longer receive service credit under the pension plan, receive a varied annual retirement contribution. This group of employees includes Mr. Myers who was originally a York employee. The contribution for this group of employees is between one percent to seven percent of the participant s eligible compensation and is based on the participant s age and service. Both the matching contribution and the annual retirement contribution are subject to vesting requirements.

All NEOs participate in the 401(k) plan, with the exception of Dr. Bolzenius who waived his participation in the plan. In exchange, Johnson Controls agreed that Dr. Bolzenius will continue to accrue benefits under his German pension agreement.

Retirement Restoration Plan

The Internal Revenue Code limits the benefits Johnson Controls can provide to employees under the pension plan, the 401(k) plan and annual retirement contribution. Thus, Johnson Controls sponsors the Retirement Restoration Plan, which allows all employees to obtain the full intended benefit from the pension and 401(k) plans without regard to the Internal Revenue Code limits.

All employees, including NEOs, are eligible for the Retirement Restoration Plan, with the exception of employees hired on or after January 1, 2006, or who were originally York employees. Therefore, Mr. Myers is not eligible for the Retirement Restoration Plan as he is originally a York employee. Dr. Bolzenius is also ineligible to participate in the Retirement Restoration Plan as a result of his waiver to participate in the 401(k) plan.

Executive Deferred Compensation Plan

The Executive Deferred Compensation Plan assists all senior leaders, including NEOs, with personal financial planning by allowing participants to defer compensation and associated taxes until retirement or termination of employment. It also assists senior leaders in the management of their executive stock ownership requirements. Investment options in the Executive Deferred Compensation Plan mirror investment options available in our 401(k) Plan.

Other benefits

We provide perquisites to help executive officers be more productive and be efficient, and to provide protection from potential business risks. Perquisites are limited in amount, and we maintain a strict policy regarding eligibility and use of these benefits. There are no exceptions outside of this policy. For fiscal year 2013, our NEOs received personal financial planning, club dues, and personal use of a company airplane. Dr. Bolzenius also received a payment under an arrangement similar to a tax-equalization arrangement, as we describe further below under Tax Equalization . Personal use of a company airplane is minimal and the aggregate value of this perquisite for all named executives in fiscal year 2013 was less than $20,000 in total.

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The Committee periodically reviews competitive market data to ensure that perquisites in our executive compensation program are standard and within market practice. Additionally, the Committee annually reviews the use of perquisites to ensure adherence to our policy.

Executive officers are also eligible for two additional perquisites: (1) the company vehicle policy, which is offered to all senior leadership and provides for personal use of a vehicle (the type of vehicle varies by leadership level and is limited to vehicles that use our automotive seating and interiors products), and (2) the executive physical examination program that offers executive officers an annual comprehensive physical examination within a compressed time period.

Executive Survivor Benefits Plan

NEOs hired before September 15, 2009, are eligible for the Executive Survivor Benefits Plan. Under this plan, if a participating executive officer dies while he or she is an employee, Johnson Controls will make certain payments to his or her beneficiary. This benefit is offered to executive officers in place of regular group life insurance coverage and any other executive life insurance policy. All benefits under our Executive Survivor Benefits Plan cease upon retirement or other termination. NEOs hired after September 15, 2009, participate in our regular group life insurance coverage.

Employment and Change of Control Agreements

Johnson Controls enters into employment and change of control agreements with all of our executive officers to define their right to terminate employment and protect the company from certain business risks such as threats from competitors, loss of confidentiality or trade secrets, disparagement and solicitation of employees.

Employment agreements protect executive officers from risks by providing:

- Economic stability that enables executive officers to focus on the performance of duties
- Death or disability payments and benefits in the event of certain terminations of employment

Changes to Employment and Change of Control Agreements

In response to shareholder feedback, Johnson Controls has revised all of its employment agreements to eliminate (1) all excise tax gross-up payments, and (2) the trigger that allowed for an executive officer to voluntarily terminate his employment within a 30-day period beginning on the first anniversary of a change of control and receive benefits corresponding to a termination for good reason .

Payments and benefits, if eligible, in the event of a change of control in our company

During fiscal year 2012, we revised our employment agreements with senior executive officers to eliminate all excise tax gross-up payments in the event of a change of control of our company. We also eliminated the trigger that allowed for an executive officer to voluntarily terminate his or her employment within the 30-day period beginning on the first anniversary of a change of control and receive benefits corresponding to a termination for good reason. We did not compensate executive officers for these changes. In addition, the new Omnibus Incentive Plan changed the treatment of equity awards in the event of a change of control to require double-trigger equity vesting. Double-trigger equity vesting requires both a change of control and executive termination to vest the equity awards. These changes to the employment agreements will help retain key NEOs after a change of control and encourage NEOs to maximize the value of the transaction for shareholders in the long term.

Tax Equalization

As previously disclosed on a Current Report on Form 8-K filed on December 6, 2012, to protect Dr. Bolzenius from negative tax consequences resulting from his relocation from Germany to the United States at the Company s request, in November 2012 we entered into an arrangement with Dr. Bolzenius similar to a tax-equalization program relating to taxes that the German government claimed on compensation we paid to Dr. Bolzenius and future taxes that Dr. Bolzenius will pay to non-U.S. jurisdictions on compensation that we pay to him. Dr. Bolzenius paid United States taxes on all of his compensation for 2007 and subsequent years. In 2012, the German government assessed Dr. Bolzenius and one of our German subsidiaries for taxes on a portion of Dr. Bolzenius compensation for 2007 through 2010. Under one term of the arrangement, we are paying a portion of the non-U.S. tax liability sufficient to permit Dr. Bolzenius to maintain his U.S. net income on compensation that we paid to him for 2007 and subsequent years. We also purchased at their estimated fair value the full amount of the U.S. tax refunds expected to result from Dr. Bolzenius claim of foreign tax credits following payments of the German tax liability for 2007 through 2010. We did not provide Dr. Bolzenius with a tax gross-up in connection with this arrangement.

Risk Assessment

To discourage excessive risk-taking, the Committee conducts an annual risk assessment of our compensation plans.

Reviewing Our Compensation Program for Risk

After reviewing our compensation program, the Committee has determined that our program (including each individual element) is unlikely to place the company at material risk. The review indicated several of our current practices effectively mitigate risk and promote performance, including:

A balanced mix of pay elements that ties pay to performance

Appropriate caps on incentives

Use of multiple performance measures in the annual and long-term incentive plans

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Use of performance measures that are based on our Annual Report and Form 10-K filing

Committee discretion and oversight

Significant stock ownership guidelines

Appropriate use and provisions of severance and change of control agreements

Limited and appropriate perquisites

Provisions of the clawback policy

No excise tax gross-up payments

Clawback Provisions

Johnson Controls implemented the Executive Compensation Incentive Recoupment (Clawback) Policy during fiscal year 2009. Under the policy, the Committee requires all executive officers elected by the Board to reimburse any incentive awards if:

The awards were based on that performance period s financial results and became the subject of a material restatement, other than a restatement due to changes in accounting policy

The Committee believes the elected officer engaged in conduct that caused, or even partially caused, the need for the restatement

A lower payment could have been made to the elected executive officer based upon the restated financial results.

If there is a material restatement of financial statements, the Committee must also seek to recover any compensation from the Chief Executive Officer and Chief Financial Officer, to the extent required under Section 304 of the Sarbanes-Oxley Act of 2002.

FY 2013 Executive Compensation Incentive Recoupment Review and Change

For fiscal year 2013, the Committee revised the Executive Compensation Incentive Recoupment Policy to include the ability to claw back performance-based share units in addition to cash performance incentives. We will continue to monitor developments under the Dodd-Frank Act, including with respect to mandatory recoupment of incentive compensation, and will comply with regulations when they are released.

Tax and Accounting Rules and Regulations

When determining total direct compensation packages, the Committee considers all factors that may have an impact on our financial performance, including tax and accounting rules and regulations under the Section 162(m) of the Internal Revenue Code. The Code limits us from deducting compensation in excess of $1 million awarded to the principal executive officer or to the other three highest-paid executive officers. One exception to the code is if compensation meets the requirements to qualify as performance-based compensation.

Our compensation philosophy strongly emphasizes performance-based compensation for our executive officers, thus minimizing the consequences of the Section 162(m) limitation. However, the Committee retains full discretion to award compensation packages that will best attract, retain, and reward successful executive officers. Therefore, the Committee may award compensation that is not fully deductible under Section 162(m) if the Committee believes it will contribute to the achievement of our business objectives. We expect that the performance-based share units introduced in fiscal year 2013 will be deductible under Section 162(m).

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SUMMARY COMPENSATION TABLE FOR FISCAL YEARS 2013, 2012 AND 2011

The following table summarizes the compensation earned in the fiscal years noted by our chief executive officer, our chief financial officer, our three other most highly compensated executive officers who were officers as of the end of the fiscal year ended September 30, 2013. We refer to these officers as our named executive officers or NEOs .

Name and Principal Position	Year	Salary ($)	Stock Awards[1][2] ($)	Option Awards[2] ($)	Non-Equity Incentive Plan Compen-sation[1][3] ($)	Change in Pension Value and Nonqualified Deferred Compen-sation Earnings[4] ($)	All Other Compen-sation[5] ($)	Total[6] ($)
Stephen A. Roell	2013	1,514,100	7,141,252	2,191,332	7,670,000	0	192,107	18,708,791
	2012	1,470,000	2,226,120	4,165,640	4,128,000	8,975,955	417,161	21,382,876
Chairman of the Board, President and Chief Executive Officer	2011	1,406,000	3,151,800	4,590,450	7,540,000	5,349,200	303,075	22,340,525
Alex A. Molinaroli	2013	966,333	4,001,741	1,184,040	3,450,000	0	270,255	9,872,369
	2012	825,000	627,880	1,115,000	1,407,000	2,493,237	143,061	6,611,178
Vice Chairman	2011	750,000	840,480	1,227,150	2,387,000	1,234,587	114,375	6,553,592
R. Bruce McDonald	2013	855,000	4,739,119	641,784	2,592,000	0	113,783	8,941,686
	2012	830,000	642,150	1,248,800	1,390,000	1,073,096	170,028	5,354,074
Executive Vice President and Chief Financial Officer	2011	800,000	840,480	1,363,500	2,612,000	499,872	131,947	6,247,799
C. David Myers	2013	917,000	2,064,599	634,062	2,940,000	0	221,071	6,776,732
	2012	890,000	627,880	1,195,280	1,343,000	75,861	270,255	4,402,276
Vice President and President, Building Efficiency	2011	860,000	840,480	1,363,500	2,401,000	24,438	220,158	5,709,576

Beda Bolzenius	2013	830,000	2,088,319	641,784	1,579,000	408,757	90,040	5,637,900
	2012	830,000	642,150	1,248,800	956,000	1,292,671	20,838	4,990,459
Vice President and								
President, Automotive								
Experience Seating[7]	2011	802,000	840,480	1,363,500	2,485,000	0	17,394	5,508,374

(1) We have not reduced amounts that we show to reflect a NEO s election, if any, to defer the receipt of compensation into our qualified and nonqualified deferral plans.

(2) Amounts reflect the aggregate grant date fair value of restricted stock awards and performance-based share unit awards (in the Stock Awards column) and option awards (in the Option Awards column), in each case computed in accordance with FASB ASC Topic 718. In the case of performance-based share units, the amounts shown in the Stock

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Awards column are based on the probable outcome of performance conditions, consistent with the estimate of aggregate compensation cost to be recognized over the service period determined as of the grant date under FASB ASC Topic 718, excluding the effect of estimated forfeitures, as follows: Mr. Roell $4,760,000; Mr. Molinaroli $2,655,000; Mr. McDonald $1,392,000; Mr. Myers $1,377,000; and Dr. Bolzenius $1,392,000. The values of the performance-based share unit awards at the grant date if the highest level of performance conditions were to be achieved would be as follows: Mr. Roell $9,520,000; Mr. Molinaroli $5,310,000; Mr. McDonald $2,784,000; Mr. Myers $2,754,000; and Dr. Bolzenius $2,784,000. In the case of Mr. McDonald, the amount shown in the Stock Award column includes 60,000 restricted stock units that we granted in September 2013 to recognize this key executive for his strong current and expected future contributions to our company and to serve as an incentive to provide continuity during the CEO transition as we discuss in the Compensation Discussion and Analysis under the heading Stock Options and Restricted Stock FY 2013 Stock Option and Restricted Stock Award Decisions . The fair value of each option award is estimated on the date of grant using the Black-Scholes option-pricing model. Footnote 12 to our audited financial statements for the fiscal year ended September 30, 2013, which appear in our Annual Report on Form 10-K that we filed with the Securities and Exchange Commission on November 21, 2013, includes assumptions that we used in the calculation of these amounts

(3) Amounts reflect the cash awards to the NEOs which we discuss in further detail in the Compensation Discussion and Analysis under the headings *Annual Incentive Performance Plan* and *Long-Term Incentive Performance Plan* . Our NEOs earned the amounts shown based on performance during fiscal years 2011-2013. We paid these amounts after our fiscal year-end (September 30, 2013).

(4) Amounts reflect the actuarial increase in the present value of the NEO s benefits under all defined benefit pension plans that we have established, determined as of the measurement dates we used for financial statement reporting purposes for fiscal year 2013 and using interest rate and mortality rate assumptions consistent with those that we used in our financial statements. The amounts include benefits that the NEO may not currently be entitled to receive because the executive is not vested in such benefits. The value that an executive will actually receive under these benefits will differ to the extent facts and circumstances vary from what these calculations assume. Changes in the present value of the NEO s benefits are the result of the assumptions applied (and discussed in footnote 1 to the pension table) and the value of executive compensation received over the previous five year period. No NEO received preferential or above market earnings on nonqualified deferred compensation. Actual change in pension values were as follows: Mr. Roell (1,455,228); Mr. Molinaroli ($163,210); Mr. McDonald ($43,047); Mr. Myers ($32,602).

(5) Amounts reflect reimbursements with respect to financial planning, personal use of a vehicle, relocation expenses, executive physicals, personal use of our aircraft and club dues. (We discuss these benefits further under the heading *Other Benefits* on page 40.) Amounts for fiscal 2013 also reflect our matching contributions under our qualified and nonqualified retirement plans, as follows: Mr. Roell $134,956; Mr. Molinaroli $65,768; Mr. McDonald $61,931; and Mr. Myers $131,931. The amount shown for Mr. Roell includes $30,000 for financial planning and $12,290 for club memberships. The amount shown for Mr. Molinaroli includes $13,309 for club memberships. The amount shown for Mr. McDonald includes $3,350 for financial planning and $35,334 for club memberships. The amount shown for Dr. Bolzenius includes $7,979 for club memberships. For Dr. Bolzenius, this column also includes $73,621 that we paid under an arrangement that we entered into to protect Dr. Bolzenius from negative tax consequences resulting from his 2007 relocation to the United States that is similar to a tax-equalization program relating to taxes that the German government claimed on compensation that we paid to him and other non-U.S. taxes on current compensation that we paid to him. This arrangement is further described under the heading Tax Equalization on page 41. We did not provide Dr. Bolzenius with a tax gross-up in connection with this arrangement.

(6) Because the double LTIPP reporting issue exists for all NEOs, compensation totals for fiscal year 2013 are elevated on average 16% from actual annual total compensation excluding the payout for fiscal year 2013 under the old cash-based long-term incentive awards. The reported total compensation will fall, all else remaining equal, when the

performance periods for the outstanding cash LTIPP grants end after fiscal year 2014.

(7) Dr. Bolzenius change in pension value is calculated in Euros (based on his German Pension Agreement). For purposes of disclosure in the table, we assume a conversion of Euros into US Dollars using a fixed exchange rate of 1.32027 US Dollars to 1.00 Euro to avoid distorting reported compensation due to fluctuations in exchange rates.

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GRANTS OF PLAN BASED AWARDS DURING FISCAL YEAR 2013

The following table contains information concerning the plan-based equity and non-equity awards that we granted to our NEOs in fiscal year 2013.

		Estimated Future Payouts Under Non-Equity Incentive Plan Awards			Estimated Future Payouts Under Equity Incentive Plan Awards			All Other Stock Awards: Number of Securities Underlying Options[3]	All Other Option Awards: Number of Shares of Stock[4]	Exercise or Base Price of Option Awards[5]	Grant Date Value of St and Optio Awards[6]
ame	Grant Date	Threshold ($)[1]	Target ($)[1]	Maximum ($)[1]	Threshold ($)[2]	Target ($)[2]	Maximum ($)[2]	(#)	(#)	($/Share)	($)
hen											
l	10/5/2012	-	-	-	-	-	-		255,400	27.85	2,191,30
	10/5/2012	-	-	-	-	-	-	85,500	-	27.85	2,281,20
	N/A[7]	1,060,000	2,650,000	5,299,000	-	-	-	-	-	-	N/A
	1/23/2013	-	-	-	77,450	154,900	309,800	154,900	-	30.73	4,760,00
k A.											
inaroli	10/5/2012	-	-	-	-	-	-	-	72,900	27.85	625,500
		-	-	-	-	-	-	-	65,100	30.73	558,600

	1/23/2013									
	10/5/2012	-	-	-	-	-	-	24,300	-	27.85	676,800
	1/23/2013	-	-	-	-	-	-	21,800	-	30.73	669,900
	N/A[6]	550,000	1,375,000	2,750,000	-	-	-	-	-	-	N/A
	1/23/2013	-	-	-	43,200	86,400	172,800	86,400	-	30.73	2,655,10
ruce											
Donald	10/5/2012	-	-	-	-	-	-		74,800	27.85	641,800
	10/5/2012	-	-	-	-	-	-	25,000		27.85	696,300
	N/A[6]	385,000	962,000	1,924,000	-	-	-	-	-	-	N/A
	1/23/2013	-	-	-	22,650	45,300	90,600	45,300	-	30.73	1,392,00
	9/24/2013	-	-	-	-	-	-	60,000	-	42.98	2,578,80
David		-	-	-	-	-	-		73,900	27.85	634,000

rs	10/5/2012										
	10/5/2012	-	-	-	-	-	-	24,700		27.85	687,900
	N/A[6]	413,000	1,032,000	2,063,000				-	-	-	N/A
		-	-	-	22,400	44,800	89,600	44,800	-	30.73	1,376,70
	1/23/2013										
a											
enius	10/5/2012	-	-	-	-	-	-		74,800	27.85	641,800
	10/5/2012	-	-	-	-	-	-	25,000	-	27.85	696,300
	N/A[6]	374,000	934,000	1,868,000	-	-	-	-	-	-	N/A
	1/23/2013	-	-	-	22,650	45,300	90,600	45,300	-	30.73	1,392,10

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(1) These columns show the range of potential payouts for annual incentive performance awards that we describe in the section titled *Annual Incentive Performance Plan* in the Compensation Discussion and Analysis. We granted the annual incentive awards for fiscal year 2013 at the beginning of fiscal year 2013 as we describe in the Compensation Discussion and Analysis. The threshold amount assumes zero payout from the discretionary portion of the award, while both target and maximum amounts assume full payout from the discretionary portion of the award.

(2) These columns show the range of potential payouts for the performance-based share units that we described in the section titled *Long-Term Incentive Performance Plan* in the Compensation Discussion and Analysis. We granted the performance-based share units for fiscal year 2013 effective in January 2013 as we describe in the Compensation Discussion and Analysis. The number of performance-based share units that are earned, if any, will be based on performance for fiscal years 2013 to 2015 and will be determined after the close of fiscal year 2015.

(3) The amounts shown in this column reflect the number of shares of restricted stock we granted to each NEO pursuant to the 2001 Restricted Stock Plan or 2012 Omnibus Incentive Plan. The grant vests 50% on the second anniversary of the grant date and 50% on the fourth anniversary of the grant date, contingent on the NEO s continued employment. In the case of Mr. McDonald, the amount shown in the Stock Award column includes 60,000 restricted stock units that we granted in September 2013 to recognize this key executive for his strong current and expected future contributions to our company and to serve as an incentive to provide continuity during the CEO transition as we discuss in the Compensation Discussion and Analysis under the heading Stock Options and Restricted Stock FY 2013 Stock Option and Restricted Stock Award Decisions .

(4)The amounts shown in this column reflect the number of stock options we granted to each NEO pursuant to the 2007 Stock Option Plan or 2012 Omnibus Incentive Plan. The stock options vest 50% on the second anniversary of the grant date and 50% on the third anniversary of the grant date, contingent on the NEO s continued employment, and expire, at the latest, on the tenth anniversary of the grant date.

(5)We awarded the fiscal year 2013 stock option grants to the NEOs with an exercise price per share equal to our closing stock price on the date of grant.

(6)Amounts reflect the grant date fair value determined in accordance with FASB ASC Topic 718. Footnote 12 to our audited financial statements for the fiscal year ended September 30, 2013, which appear in our Annual Report on Form 10-K that we filed with the Securities and Exchange Commission on November 21, 2012, includes assumptions that we used in the calculation of these amounts.

(7) The award reflected in this row is an annual incentive performance award that we granted for the performance period of fiscal year 2013, the material terms of which we describe in the Compensation Discussion and Analysis section titled *Annual Incentive Performance Plan.*

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OUTSTANDING EQUITY AWARDS AT FISCAL YEAR 2013 YEAR-END

The following table contains information concerning equity awards held by our NEOs that were outstanding as of September 30, 2013.

	Option Awards				Stock Awards			
Name	Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) Unexercisable (1)	Option Exercise Price ($)	Option Expiration Date	Number of Shares of Stock That Have Not Vested (#)(2)	Market Value of Shares of Stock that Have Not Vested ($)(3)	Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights that have Not Vested (#)(4)	Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights that have Not Vested ($)(3)
					265,000	10,997,500	308,800	6,428,400
	375,000	-	40.21	10/1/2017				
Stephen	550,000	-	28.79	10/1/2018				
	610,000	-	24.87	10/1/2019				
A. Roell	252,500	252,500	30.54	10/1/2020				
	-	467,000	28.54	10/7/2021				
		255,400	27.85	10/5/2022				
					91,350	3,791,000	172,800	3,585,600
	90,000	-	40.21	10/1/2017				
	145,000	-	28.79	10/1/2018				
Alex A.	155,000	-	24.87	10/1/2019				
	67,500	67,500	30.54	10/1/2020				
Molinaroli	-	125,000	28.54	10/7/2021				
		72,900	27.85	10/5/2022				
		65,100	30.73	1/23/2023				
					133,000	5,519,500	90,600	1,880,000
	150,000	-	20.5633	11/17/2014				
	225,000	-	22.5617	11/16/2015				
	192,000	-	23.965	10/2/2016				
R. Bruce	120,000	-	40.21	10/1/2017				
	160,000	-	28.79	10/1/2018				
McDonald	170,000	-	24.87	10/1/2019				
	75,000	75,000	30.54	10/1/2020				
	-	140,000	28.54	10/7/2021				
		74,800	27.85	10/5/2022				
					69,950	2,902,900	89,600	1,859,200
	120,000	-	24.3667	1/3/2016				
	192,000	-	23.965	10/2/2016				
C. David	120,000	-	40.21	10/1/2017				
Mbabe								

	160,000	-	28.79	10/1/2018				
	170,000	-	24.87	10/1/2019				
	75,000	75,000	30.54	10/1/2020				
	-	134,000	28.54	10/7/2021				
		73,900	27.85	10/5/2022				
					70,750	2,936,100	90,600	1,880,000
	192,000	-	23.965	10/2/2016				
	120,000	-	40.21	10/1/2017				
Beda	160,000	-	28.79	10/1/2018				
	170,000	-	24.87	10/1/2019				
Bolzenius	75,000	75,000	30.54	10/1/2020				
	-	140,000	28.54	10/7/2021				
		74,800	27.85	10/5/2022				

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(1) We granted options listed in this column ten years prior to their respective expiration dates. The options vest 50% on the second anniversary date of the grant date and 50% on the third anniversary of the grant date, contingent on continuous employment.

(2) Restricted stock vesting dates are as follows: Mr. Roell 39,000 shares vested on October 7, 2013; 56,500 shares vested on November 2, 2013; 42,750 shares will vest on October 5, 2014; 45,000 shares will vest on November 1, 2014; 39,000 shares will vest on October 7, 2015; and 42,750 shares will vest on October 5, 2016; Mr. Molinaroli 11,000 shares vested on October 7, 2013; 11,250 shares vested on November 2, 2013; 12,150 shares will vest on October 5, 2014, 12,000 shares will vest on November 1, 2014; 10,900 shares will vest on January 23, 2015; 11,000 shares will vest on October 7, 2015; 12,150 shares on October 5, 2016; and 10,900 shares will vest on January 23, 2017; Mr. McDonald 11,250 shares vested on October 7, 2013; 13,500 shares vested on November 2, 2013; 12,500 shares will vest on October 5, 2014, 12,000 shares will vest on November 1, 2014; 11,250 shares will vest on October 7, 2015; 12,500 shares on October 5, 2016; and 60,000 shares will vest on September 24, 2018; Mr. Myers 11,000 shares vested on October 7, 2013; 11,250 shares vested on November 2, 2013; 12,350 shares will vest on October 5, 2014, 12,000 shares will vest on November 1, 2014; 11,000 shares will vest on October 7, 2015; 12,350 shares on October 5, 2016; Dr. Bolzenius 11,250 shares vested on October 7, 2013; 11,250 shares vested on November 2, 2013; 12,500 shares will vest on October 5, 2014, 12,000 shares will vest on November 1, 2014; 11,250 shares will vest on October 7, 2015; 12,500 shares on October 5, 2016.

(3) We calculated the market value of shares of stock that have not vested and performance-based share units that have not been earned based on the September 30, 2013 closing market price for a share of our common stock, which was $41.50 .

(4) Awards of performance-based share units were effective in January 2013. The performance-based share units will be earned or forfeited based on our performance from fiscal year 2013 through fiscal year 2015. Performance for fiscal year 2013 was at 182.5%; therefore, the maximum amounts are shown.

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OPTION EXERCISES AND STOCK VESTED DURING FISCAL YEAR 2013

The following table provides information about stock options that our NEOs exercised and restricted stock that vested in fiscal year 2013.

	Option Awards		Stock Awards	
Name	Number of Shares Acquired on Exercise (#)	Value Realized on Exercise ($)	Number of Shares Acquired on Vesting (#)	Value Realized on Vesting ($)[1]
Stephen A. Roell	1,116,000	17,024,608	45,000	1,221,402
Alex Molinaroli	90,000	1,130,427	12,000	325,707
R. Bruce McDonald	72,000	1,048,205	12,000	325,707
C. David Myers	-	-	12,000	325,707
Beda Bolzenius	165,000	2,440,345	12,000	325,707

[1] Amounts represent the product of the number of shares an officer acquired on vesting and the closing market price of the shares on the vesting date, plus the value of dividends released.

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PENSION BENEFITS AS OF SEPTEMBER 30, 2013

The following table sets forth certain information with respect to the potential benefits to our NEOs under our qualified pension and retirement restoration plans as of September 30, 2013.

Name	Plan Name	Number of Years Credited Service (#)	Present Value of Accumulated Benefit[1] ($)	Payments During Last Fiscal Year ($)
Stephen A. Roell	Johnson Controls Pension Plan	30.75	1,458,259	-
	Retirement Restoration Plan	30.75	25,780,546	-
Alex A. Molinaroli	Johnson Controls Pension Plan	28.75	819,303	-
	Retirement Restoration Plan	28.75	5,112,299	-
R. Bruce McDonald	Johnson Controls Pension Plan	11.92	328,062	-
	Retirement Restoration Plan	11.92	2,508,655	-
C. David Myers	Johnson Controls Pension Plan[2]	10.83	264,326	-
Beda Bolzenius[3]	German Pension Arrangement	-	4,071,346	-

[1] We calculated the amounts reflected in this column for all NEOs other than Dr. Bolzenius using the following assumptions: A calculation date of September 30, 2013, a 4.90% discount rate, retirement occurring at normal retirement age based on Social Security Normal Retirement Age minus three years (Mr. Myers assumed retirement age is 62), and applicability of the 2009 Static Mortality Table for Annuitants per Treasury Regulation 1.430(h)(3)-1(e), that we used for financial reporting purposes as of September 30, 2013. The value that an executive will actually receive under these benefits will differ to the extent facts and circumstances vary from what these calculations assume. We calculated the amount reflected in this column for Dr. Bolzenius using the assumptions described below under German Pension Arrangement.

[2] Mr. Myers is a participant in the Johnson Controls Pension Plan as a historic York Plan participant.

[3] Dr. Bolzenius has a German Pension Arrangement. Dr. Bolzenius pension benefit will be paid in Euros. For purposes of disclosure in the table, we assume a conversion of Euros into US Dollars using an exchange rate as of January 1, 2007 of 1.32027 US Dollars to 1.00 Euro to avoid distorting reported compensation due to fluctuations in exchange rates.

Johnson Controls Pension Plan The Johnson Controls Pension Plan is a defined benefit pension plan that provides benefits for most of our non-union U.S. employees, including our eligible NEOs. Our Pension Plan has two components: (1) a component that covers Johnson Controls employees hired prior to January 1, 2006, other than York employees, and (2) a component that covers York employees who were participants in the York International Pension Plan Number One, which was merged into the Pension Plan effective December 31, 2006.

Employees we hired prior to January 1, 2006 (other than York employees) automatically became participants in our Pension Plan in the month in which they were hired. Employees hired on or after January 1, 2006, are not eligible to participate in the Pension Plan.

Subject to certain limitations that the Internal Revenue Code imposes, the monthly retirement benefit payable under our Pension Plan to participants other than the York employees, at normal retirement age in a single life annuity, is determined as follows:

1.15% of final average monthly compensation times years of benefit service, plus

0.55% of final average monthly compensation in excess of Social Security covered compensation times years of benefit service (up to 30 years).

Service after December 31, 2014 does not count as benefit service in this formula. For purposes of this formula, final average monthly compensation means a participant s gross compensation, excluding certain unusual or non-recurring items of compensation, such as severance or moving expenses, for the highest five consecutive years of the last ten consecutive years of employment occurring prior to January 1, 2015. Social Security covered compensation means the average of the Social Security wage base for the 35 years preceding a participant s normal retirement age. Normal retirement age for Johnson Controls participants is age 65. The benefits of all of our NEOs, except Mr. Myers and Dr. Bolzenius are calculated using this formula.

For York employees, including Mr. Myers, participating in our Pension Plan, the monthly benefit payable at normal retirement age in a single life annuity is $25 times years of credited service, or if greater, an amount equal to 1/12th of the following:

1.6% of final average compensation minus 1% of the participant s primary Social Security benefit payable at normal retirement age, times years of credited service (up to 30 years), plus

0.50% of final average compensation times years of credited service in excess of 30, but not more than 40, years.

Service after December 31, 2003, does not count as credited service in this formula. For purposes of this formula, compensation means the participant s taxable compensation, plus contributions to a 401(k) plan and 50% of the amount that the participant deferred under a nonqualified deferred compensation plan, for the highest five consecutive years of the last ten consecutive years of

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employment occurring prior to January 1, 2014. Normal retirement age for York participants is age 65. Mr. Myers is the only NEO whose benefits are calculated using this formula.

Participants in our Pension Plan generally become vested in their pension benefits upon completion of 5 years of service. Our Pension Plan does not pay full pension benefits until after a participant terminates employment and reaches normal retirement age. However, a participant who terminates employment may elect to receive benefits at a reduced level at any time after age 55, as follows:

If a Johnson Controls participant terminates employment prior to age 55, then the reduction is 5% for each year that benefits begin before their social security retirement age. If a Johnson Controls participant terminates employment on or after age 55 and after completing ten years of service, then the reduction is 5% for each year that benefits begin before the three years preceding the participant s Social Security retirement age.

If a York participant terminates employment prior to age 55, then the benefit is actuarially reduced for each year earlier than the normal retirement age. If a York participant terminates employment on or after age 55, then benefits are reduced 7% for each year that benefits begin before age 62 and 6% for each year that benefits begin before age 59.

Mr. Roell is currently eligible for early retirement under the Pension Plan.

German Pension Arrangement We have entered into a supplemental agreement with Dr. Bolzenius that provides for retirement benefits. We refer to the supplemental agreement as the German Pension Arrangement. The German Pension Arrangement entitles Dr. Bolzenius to credit for one pension unit for each year since November 2, 2004 that he has been an employee of our subsidiary, Johnson Controls GmbH. The values of the pension units range between 28,282 (or $37,340 using a conversion of Euros into US Dollars using an exchange rate as of January 1, 2007, of 1.32027 US Dollars to 1.00 Euro) and 10,857 (or $14,334 using a conversion of Euros into US Dollars using an exchange rate as of January 1, 2007, of 1.32027 US Dollars to 1.00 Euro) depending on Dr. Bolzenius age. The annual pension benefit, paid monthly, under the German Pension Arrangement is given by the sum of all pension units credited until the time of the termination of Dr. Bolzenius employment.

Dr. Bolzenius German Pension Arrangement provides for full benefits only if his employment terminates after age 65, but permits him to receive reduced benefits upon an eligible early retirement (age 63). Upon an early retirement, Dr. Bolzenius benefits are based on the acquired pension unit total would be reduced by 0.5% for each month the early retirement occurred prior to age 65. Dr. Bolzenius is not currently eligible for early retirement.

In calculating the amounts shown in the column titled Present Value of Accumulated Benefit in the table above, we used the following valuation method and material assumptions: We calculated the amounts reflected for Dr. Bolzenius in accordance with SFAS No. 87 *Employers Accounting for Pensions* using the following assumptions: A calculation date of September 30, 2013, a 3.55% discount rate, retirement occurring at age 65, and applicability of the RT-2005 G by K. Heubeck Mortality Tables.

Retirement Restoration Plan Our Retirement Restoration Plan is an unfunded, nonqualified plan that provides retirement benefits above the payments that an employee, other than a York employee, will receive from our Pension Plan in those cases in which the Code s qualified plan limits restrict the employee s benefits. The Retirement Restoration Plan provides a benefit equal to the difference between the actual pension benefit payable under our Pension Plan and what such pension benefit would have been without regard to any Code limitation on either the

amount of benefits or the amount of compensation that the benefit formula can take into account. Because Mr. Myers was a York employee, he is not eligible under the Retirement Restoration Plan for a benefit with respect to the Pension Plan. Dr. Bolzenius is also not eligible under the Retirement Restoration Plan for a benefit with respect to the Pension Plan because he is not a participant in the Johnson Controls Pension Plan.

A participant is vested in his or her Retirement Restoration Plan benefits only if vested in his or her benefits under our Pension Plan. Benefits under the Retirement Restoration Plan are payable as an annuity at the later of the participant s termination of employment or attainment of age 55.

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NONQUALIFIED DEFERRED COMPENSATION DURING FISCAL YEAR 2013

The following table sets forth certain information with respect to participation in our nonqualified Executive Deferred Compensation Plan by our NEOs during the fiscal year ended September 30, 2013.

Name	Executive Contributions in Last FY[1] ($)	Registrant Contributions in Last FY[2] ($)	Aggregate Earnings in Last FY[3] ($)	Aggregate Withdrawals/ Distributions ($)	Aggregate Balance at Last FYE[4] ($)
Stephen A. Roell	356,466	123,706	2,440,731	0	11,208,867
Alex A. Molinaroli	188,060	54,518	1,875,202	0	4,707,380
R. Bruce McDonald	983,920	50,681	5,846,050	0	16,117,774
C. David Myers	169,140	108,181	818,061	0	5,500,730
Beda Bolzenius	0	0	0	0	0

[1] Certain amounts that appear in the Nonqualified Deferred Compensation table also appear in the Summary Compensation Table as compensation that a NEO earned in fiscal year 2013. Mr. Roell s Executive Contributions include $75,546 that is also reported in the Salary column in the Summary Compensation Table for fiscal year 2013. Additionally, Mr. Roell s Executive Contributions include $281,580 that is reported in the Non-Equity Incentive Plan Compensation column in the Summary Compensation Table for fiscal year 2013. Mr. Roell s Registrant Contributions include $123,706 that is also reported in the All Other Compensation column of the Summary Compensation Table. Mr. Molinaroli s Executive Contributions include $42,680 that is also reported in the Salary column in the Summary Compensation Table for fiscal year 2013. Additionally, Mr. Molinaroli s Executive Contributions include $145,620 that is reported in the Non-Equity Incentive Plan Compensation column in the Summary Compensation Table for fiscal year 2013. Mr. Molinaroli s Registrant Contributions include $54,518 that is also reported in the All Other Compensation column of the Summary Compensation Table. Mr. McDonald s Executive Contributions include $36,000 that is also reported in the Salary column in the Summary Compensation Table for fiscal year 2013. Additionally, Mr. McDonald s Executive Contributions include $98,100 that is reported in the Non-Equity Incentive Plan Compensation column in the Summary Compensation Table for fiscal year 2013. Mr. McDonald s Registrant Contributions include $50,681 that is also reported in the All Other Compensation column of the Summary Compensation Table. Mr. Myers Executive Contributions include $39,720 that is also reported in the Salary column in the Summary Compensation Table for fiscal year 2013. Additionally, Mr. Myers Executive Contributions include $114,780 that is reported in the Non-Equity Incentive Plan Compensation column in the Summary Compensation Table for fiscal year 2013. Mr. Myers Registrant Contributions include $108,181 that is also reported in the All Other Compensation column of the Summary Compensation Table.

[2] Amounts shown include the company matching contributions that we make under our Retirement Restoration Plan because the Internal Revenue Code limits such contributions under our 401(k) plan.

[3] The Aggregate Earnings are not above-market or preferential earnings and therefore we do not need to report them in the Summary Compensation Table. The Aggregate Earnings represent all investment earnings, net of fees, on amounts that a NEO has deferred. Investment earnings include amounts relating to appreciation in the price of our common stock, and negative amounts relating to depreciation in the price of our common stock, because the deferred amounts include deferred stock units, the value of which is tied to the value of our common stock. Aggregate Earnings also include dividends that we pay on restricted stock that has not yet vested, which we credit to a NEO s deferred

compensation account subject to vesting.

(4) Amounts included in this column that have been reported in the Salary and Non-Equity Incentive Plan Compensation columns in Summary Compensation Table since fiscal year 2007 for each named executive officer are: Mr. Roell $2,994,439; Mr. Molinaroli $985,408; Mr. McDonald $3,358,333 and Mr. Myers $3,387,337.

We maintain the following two nonqualified deferred compensation plans under which executives, including our NEOs, may elect to defer their compensation. Dr. Bolzenius does not participate in the Retirement Restoration Plan because he is not a participant in the Johnson Controls Pension Plan and he has waived his participation in the 401(k) plan in exchange for continued accrual of benefits under his German pension agreement.

Our Executive Deferred Compensation Plan allows participants to defer up to 100% of their annual and long-term cash bonuses and restricted stock awards.

Our Retirement Restoration Plan allows executive officers to defer up to 6% of their compensation that is not eligible to be deferred into our 401(k) plan because of qualified plan limits that the Internal Revenue Code imposes. The Retirement Restoration Plan also credits participants with a matching contribution equal to the difference between the amount of matching contribution made under the 401(k) plan and what such matching contribution would have been without regard to any limitation that the Code imposes on either the amount of matching contribution or the amount of compensation that can be considered, and determined as if the amount the participant deferred under the Retirement Restoration Plan had been deferred into our 401(k) plan. The Retirement Restoration Plan also credits participants with an amount equal to the difference between the amount of

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retirement contribution made under the 401(k) plan and what such retirement contribution would have been without regard to the Code limits.

Under both plans, a participant may elect to have his or her cash deferrals credited to a common stock unit account or one or more investment accounts that are the same as those available under our 401(k) plan, which serve to measure the earnings that we will credit on the participant s deferrals. Restricted stock deferrals under the Executive Deferred Compensation Plan are automatically credited to the common stock unit account until vested, after which the participant may reallocate deferrals to another investment account. Amounts allocated to the common stock unit account are credited with dividend equivalents, which are treated as if reinvested in additional common stock units.

Under both plans, deferred amounts are paid upon a participant s termination of employment in a lump sum or up to ten year annual installments, as the participant elects.

Dividends paid on restricted stock awards that a participant has elected not to defer are also accumulated within the Executive Deferred Compensation Plan, deemed reinvested in common stock units, and paid to a participant in a lump sum when the related shares of restricted stock vest.

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DIRECTOR COMPENSATION DURING FISCAL YEAR 2013

The following table provides information about the compensation that our directors earned during fiscal year 2013 and their holdings of equity awards as of September 30, 2013. The table does not include Mr. Roell, who was our Chairman of the Board, President and Chief Executive Officer during fiscal year 2013 and who received no additional compensation for service as a director.

Name	Fees Earned or Paid in Cash[1] ($)	Stock Awards[2] ($)	Total ($)
David Abney	110,012	129,988	240,000
Dennis W. Archer	110,012	129,988	240,000
Robert L. Barnett[3]	27,509	32,758	60,267
Natalie A. Black	135,012	129,988	265,000
Julie Bushman[4]	97,180	114,315	211,495
Eugenio Clariond Reyes-Retana	110,012	129,988	240,000
Robert A. Cornog[3]	33,759	32,758	66,517
Richard Goodman	135,012	129,988	265,000
Jeffrey A. Joerres[5]	116,262	129,988	246,250
William H. Lacy	135,012	129,988	265,000
Mark P. Vergnano[5]	128,762	129,988	258,750

[1] Amounts shown include a portion (45.8%) of the annual retainer of $240,000 that we pay quarterly to each of our non-employee directors, and an additional annual retainer of $25,000 that we pay quarterly to the Chairperson of each of our committees of the Board and our Lead Director. In the event the Lead Director is also a Chairperson of a committee, the additional annual retainer is limited to $25,000 in total.

[2] Amounts shown in the table reflect the aggregate grant date fair value of stock awards computed in accordance with FASB ASC Topic 718, and represent a portion (54.2%) of the annual retainer of $240,000 that we pay to each of our non-employee directors. The amounts shown include a grant to each non-employee director (other than Ms. Bushman, Mr. Barnett and Mr. Cornog) of 4,230 shares of our common stock based on the closing stock price on the grant date of $30.73. Due to her becoming a new non-employee director after the beginning of fiscal year 2013, we granted Ms. Bushman 3,720 shares of our common stock with a closing price on the grant date (January 23, 2013) of $30.73. Due to their retirement from our Board as of December 31, 2012, we granted Mr. Barnett and Mr. Cornog 1,066 shares of our Common Stock with a closing price on the grant date of $30.73.

[3] Mr. Barnett and Mr. Cornog retired from our Board as of December 31, 2012.

[4] Ms. Bushman was elected as a Director on November 14, 2012.

[5] Amounts shown reflect those associated with the transitioning chair position for the Compensation Committee.

For fiscal year 2013, we paid each non-employee director $240,000 (pro-rated for partial year service) in the form of an annual retainer, $110,000 paid in cash and $130,000 in shares of common stock at the then current market price, which shares we issued under the 2003 Director Stock Plan. We pay the cash portion of the retainer quarterly in October, January, April and July. We issue the stock annually using the market closing price as of the date of the Annual Meeting. We also reimburse non-employee directors for any expenses relating to their service as directors.

Additionally, we pay the Chairpersons of the Audit, Compensation, Corporate Governance and Finance Committee, as well as the Lead Director, an annual cash retainer of $25,000. For fiscal year 2013, in the event the Lead Director is also a Chairperson of a committee, the additional annual retainer is limited to $25,000 in total. Towers Watson annually conducts a competitive pay analysis to ensure that compensation paid to non-employee directors is competitive with our Compensation Peer Group and other similarly sized general industry companies. Based on Towers Watson s analysis completed in fiscal year 2013, beginning in fiscal year 2014 the Board increased the annual retainer to $245,000, with $110,000 continuing to be paid in cash and $135,000 paid in common stock. In addition, beginning in fiscal year 2014, the Lead Director will receive an annual cash retainer of $30,000 if he/she is not a chairperson or an additional cash retainer of $15,000 if he/she is a chairperson.

We maintain a director stock ownership policy that requires our directors to hold significant amounts of our stock. Our current stock ownership policy requires our directors to hold five times the value of the common stock portion of their retainer within five years of their election or appointment to our Board. All of our directors comply with the stock ownership policy guidelines.

We permit non-employee directors to defer all or any part of their retainer under the Deferred Compensation Plan for Certain Directors. A director may elect to treat any amount deferred as if invested in any of the investment funds that are available under our tax-qualified Savings and Investment Plan or into share units. We pay the deferred amount as adjusted for earnings, losses, gains and dividends, as applicable, to the director after the director retires or otherwise ceases service on our Board, in a lump sum or up to ten year annual installments, as the director elects. Prior to October 1, 2006, under the Director Share Unit Plan, we credited stock units annually into each non-employee director s account. Directors may now elect to treat the value of existing units as if invested in any of the accounts available under the Savings and Investment Plan.

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POTENTIAL PAYMENTS AND BENEFITS UPON TERMINATION OR CHANGE OF CONTROL

The following is a discussion of the nature and estimated value of payments and benefits that each of our NEOs would receive in the event of termination of the executive s employment or upon a change of control. We based the estimated value of the payments and benefits that we would provide on an assumption that the termination of employment or the change of control, or both, as applicable, occurred on September 30, 2013, the last business day of our fiscal year 2013. We can only determine the actual amounts of payments and benefits that an executive officer would receive upon his termination or upon a change of control at the actual time of such event.

Employment Agreements

We have entered into an employment agreement with each of our executive officers, including each of our NEOs.

Each employment agreement contains substantially similar terms except for individual salary amounts and benefits. In addition to setting forth the terms and conditions of each NEO s employment and the amounts payable upon the executive s termination of employment, the employment agreements contain terms that protect the company from certain business risks, including:

- an agreement by the executive officer to perform his/her assigned duties by devoting full time, due care, loyalty and best efforts to the duties and complying with all applicable laws and the requirements of our policies and procedures on employee conduct;
- a prohibition on the executive officer s competition with our company, both during employment and for a period of one year after employment;
- a prohibition on the executive officer s ownership of a 5% or greater interest in any of our competitors;
- a prohibition on the executive officer s ability to share confidential information and trade secrets, both during employment and for two years after employment; and
- a requirement that disputes related to the employment agreement be settled through arbitration instead of potentially costly litigation.

Summary of the Payments and Benefits Upon Each Termination Scenario

The following summarizes the types of payments and benefits to which each of our NEOs would have been entitled if he had terminated employment on September 30, 2013, under various scenarios. These payments and benefits are generally based on the terms of the employment agreements and our relevant compensation and benefit plans, such as our Annual and Long-Term Incentive Performance Plans, stock option plans, 2001 Restricted Stock Plan, Retirement Restoration Plan, nonqualified Executive Deferred Compensation Plan, Executive Survivor Benefits Plan, and the severance plan for our U.S. salaried employees.

For each termination scenario, we have not separately quantified any amounts that a NEO would receive under plans generally available to all management employees that do not discriminate in favor of the NEOs. These include distributions under our pension plan and 401(k) savings plan, disability benefits, vesting of stock option and restricted stock awards under equity plans, any salary or bonus awards due to the employee through the date of termination, pro-rated bonus awards relating to outstanding bonus awards and accrued vacation.

Voluntary Termination*:* A NEO may terminate his employment with us at any time. In general, upon the executive s voluntary termination:

- we are not obligated to provide any severance pay;
- all of the executive s annual and long-term bonus awards outstanding under our Annual and Long-Term Incentive Performance Plans for which the performance period has not ended will terminate (although the executive will receive a payment of the amounts he earned under his annual and long-term bonus awards for which the performance period has ended on or prior to his date of termination);
- the executive will forfeit all unvested stock options;
- the executive will forfeit all unvested restricted stock and restricted stock units and all unearned performance-based share units; and
- all benefits and perquisites we provide will cease.

The executive will be entitled to a distribution of his vested benefits under the Retirement Restoration Plan (see the Pension Benefits Table on page 50) and the nonqualified Executive Deferred Compensation Plan (see the Nonqualified Deferred Compensation Table on page 52).

Retirement and Early Retirement*:* None of our NEOs whom we employed on September 30, 2013 was eligible for full retirement on that date, although Mr. Roell was eligible for early retirement (which our Pension Plan defines as reaching age 55 and having 10 or more years of service). For an estimate of the value of the pension benefit for a NEO upon retirement, please see the Pension Benefits Table on page 50. In addition to such pension benefit, upon the executive s full or early retirement:

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we are not obligated to pay any severance;

the executive will receive, at the end of the applicable performance period for each of his annual and long-term bonus awards outstanding under our Annual and Long-Term Incentive Performance Plans, a pro-rata portion of the award amount he would have earned had he remained employed through the end of each such performance period, based on the company s actual performance;

with respect to stock options:
the vesting of any unvested stock options that we granted to the executive under our 2000 Stock Option Plan and our 2007 Stock Option Plan that have been outstanding for at least one full calendar year after the year of grant will accelerate so that all of the options are exercisable in full (and the executive will forfeit all other options that have not been outstanding for at least one full calendar year after the date of grant);

the executive will retain his shares of restricted stock and restricted stock units that had not vested at the time of retirement, and they will continue to vest on the normal vesting schedule (however, the award agreement provides that the executive will not earn the award if he engages in conduct harmful to the best interests of our company after his retirement);

the executive will earn performance-based share units that he held at retirement based on actual performance at the end of the performance period, but the amount will be pro-rated based on the number of days of employment during the performance period (in the case of known retirements, the pro-ration of shares occurs at grant based on the number of days of employment during the performance period);

if the executive (other than Dr. Bolzenius, who is not eligible for participation in the Retirement Restoration Plan) is age 65 or older, his accounts under the Retirement Restoration Plan will vest in full; and

all benefits and perquisites we provide will cease.
The executive also will be entitled to a distribution of any vested benefits under the Retirement Restoration Plan (see the Pension Benefits Table on page 50) and the nonqualified Executive Deferred Compensation Plan (see Nonqualified Deferred Compensation Table on page 52).

Termination for Cause *:* We may terminate the employment of a NEO for cause under the terms of the employment agreements. A termination for cause generally means a termination for theft, dishonesty, fraudulent misconduct, violation of certain provisions of the employment agreement, gross dereliction of duty, grave misconduct injurious to our company, and serious violation of the law or our policies on employee conduct. A NEO will not receive any special payments or benefits if we terminate his employment for cause. On the executive s termination date, all of his outstanding stock options will immediately terminate, and we will cancel any pending option exercises. In addition, the executive will forfeit all unvested shares of restricted stock and restricted stock units and all unearned performance-based share units. The executive will be entitled to a distribution of his vested benefits under the Retirement Restoration Plan (see the Pension Benefits Table on page 50) and the nonqualified Executive Deferred Compensation Plan (see Nonqualified Deferred Compensation Table on page 52).

Termination without Cause *:* If we terminate the employment of a NEO and the termination is not for cause, then:

- the executive officer will receive a cash severance benefit in an amount equal to the greater of one year of the executive s base salary as of the termination date or twice the amount payable under our severance plan for U.S. salaried employees. The severance benefit under the salaried severance plan depends upon the employee s years of service with us, with severance starting at two weeks of base salary for an employee who has only one year of service and increasing to a maximum of 52 weeks of base salary for an employee who has 30 or more years of service;

- all of the executive s annual and long-term bonus awards outstanding under our Annual and Long-Term Incentive Performance Plans for which the performance period has not ended will terminate (although the executive will receive a payment of the amounts he earned under his annual and long-term bonus awards for which the performance period has ended on or prior to his date of termination);

- the executive will forfeit all unvested stock options;

- the executive will forfeit all unvested restricted stock or restricted stock units and all unearned performance-based share units; and

- all benefits and perquisites we provide will cease.

The executive also will be entitled to a distribution of any vested benefits under the Retirement Restoration Plan (see the Pension Benefits Table on page 50) and the nonqualified Executive Deferred Compensation Plan (see Nonqualified Deferred Compensation Table on page 52).

The following is an estimate of the severance that each NEO would receive assuming the termination without cause occurred on September 30, 2013:

	Stephen A. Roell	Alex A. Molinaroli	R. Bruce McDonald	C. David Myers	Beda Bolzenius
Severance	$ 3,028,000	$ 2,000,000	$ 855,000	$ 917,000	$ 830,000

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Termination due to Disability*:* If a total and permanent disability causes a NEO s termination, then:

- we are not obligated to pay severance. Rather, the executive may be entitled to disability pay under our short- and long-term disability plans for U.S. salaried employees;
- the executive will receive, at the end of the applicable performance period for each of his annual and long-term bonus awards outstanding under our Annual and Long-Term Incentive Performance Plans, a pro-rata portion of the award amount he would have earned had he remained employed through the end of each such performance period, based on the company s actual performance;
- the vesting of the executive s stock options will accelerate so that all of the options are exercisable in full;
- all of the executive s unvested shares of restricted stock and restricted stock units will vest;
- the executive will earn performance-based share units he held at the time of termination due to disability based on actual performance at the end of the performance period, but the amount will be pro-rated based on the number of days of employment during the performance period;
- the executive officer will immediately vest in his accounts under the Retirement Restoration Plan;
- if the executive is younger than age 65, then the executive will continue to be covered under the Executive Survivor Benefits Plan, the benefits of which we describe below; and
- all benefits and perquisites we provide will cease.

In the case of termination as a result of total and permanent disability, the executive also will be entitled to distribution of any vested benefits under the Retirement Restoration Plan (see the Pension Benefits table on page 50) and the nonqualified Executive Deferred Compensation Plan (see the Nonqualified Deferred Compensation Plan table on page 52).

The following is an estimate of the retirement restoration plan benefit that arises from vesting that accelerates due to disability that each NEO would receive assuming the disability termination occurred on September 30, 2013:

	Stephen A. Roell	Alex A. Molinaroli	R. Bruce McDonald	C. David Myers	Beda Bolzenius
Retirement Restoration Plan	$ 0	$ 0	$ 0	$ 0	$ 0

Termination due to Death*:* If a NEO dies while he is our employee, then:

the executive officer is eligible for benefits under our Executive Survivor Benefits Plan if our Board elected him or her as an officer prior to September 15, 2009. Under the terms of the plan that were in effect at September 30, 2013, the beneficiaries of a NEO would receive a lump sum death benefit in an amount equal to three times the executive s final base salary if the executive dies prior to age 55, or two times the executive s base salary if the executive dies on or after age 55, plus an additional gross-up amount. As of September 30, 2013, the applicable multiples for the NEOs are: Mr. Roell two times, Mr. McDonald three times, Mr. Myers three times, Dr. Bolzenius three times, and Mr. Molinaroli three times. In addition, the beneficiaries of the executive officer would receive a continuation of the executive s base salary for a period of six months after the executive officer s death. During fiscal year 2009, the Executive Survivor Benefits Plan was frozen to limit participation to current elected officers. Officers elected after September 15, 2009, will participate in our regular group life insurance coverage.

the executive s beneficiaries will receive, at the end of the applicable performance period for each of the executive s annual and long-term bonus awards outstanding under our Annual and Long-Term Incentive Performance Plans, a pro-rata portion of the award amount the executive would have earned had he remained employed through the end of each such performance period, based on the company s actual performance;

the vesting of the executive s stock options will accelerate such that the options become immediately exercisable to the extent they would have vested during the one-year period after the date of death;

all of the executive s unvested shares of restricted stock and restricted stock units will vest;

the executive will earn performance-based share units that he held at prior to death based on actual performance at the end of the performance period, but will be pro-rated based on the number of days of employment during the performance period; and

all benefits and perquisites we provide will cease.

In the case of termination as a result of death, the executive or the executive s beneficiaries also will be entitled to a distribution of the executive s vested benefits under the Retirement Restoration Plan (see the Pension Benefits Table on page 50) and the nonqualified Executive Deferred Compensation Plan (see the Nonqualified Deferred Compensation Table on page 52).

The following is an estimate of the Executive Survivor Benefits Plan value that each NEO would receive assuming the death occurred on September 30, 2013:

	Stephen A. Roell	Alex A. Molinaroli	R. Bruce McDonald	C. David Myers	Beda Bolzenius
Executive Survivor Benefits Plan [1]	$ 6,509,000	$ 6,198,000	$ 5,299,000	$ 5,684,000	$ 3,371,000

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(1) In determining the amount of the gross-up to include in the table above, we made the following material assumptions: a tax rate of 47.35% for Wisconsin residents and a tax rate of 43.85% for Michigan residents. During fiscal year 2009, The Committee froze this Plan to limit participation to current elected officers. No new participants are allowed.

Change of Control Agreements

We have entered into change of control agreements with each of our executive officers, including each of our NEOs. Upon a change of control of our company, the change of control agreements supersede the employment agreements. The change of control agreements generally entitle each NEO to continued employment with our company or our successor for two years following the change of control, with a base salary, bonus and other benefits at least equal to the base salary, bonus and benefits we paid or provided prior to the change of control. The change of control agreements require our executive officers to comply with confidential information covenant provisions during employment and for two years following termination of employment. The change of control agreements also provide for a severance payment and continued welfare and medical benefits upon termination of the executive s employment under certain circumstances during the two year employment period that begins on the date of the change of control, as we explain in more detail under *Termination Upon or Following a Change of Control* below. The agreement defines a change of control as:

the acquisition by a person or group of 35% or more of our common stock;

a change in a majority of our Board without the endorsement of the new Board members by the existing Board members;

a reorganization, merger, share exchange or other corporate reorganization or a sale of all or substantially all of our assets, except if it would result in continuity of our shareholders of at least 50%, if no person owns 35% or more of the outstanding shares of the entity resulting from the transaction, and if at least a majority of our Board remains; or

approval by our shareholders of our liquidation or dissolution.

Summary of the Payments and Benefits Upon a Change of Control

The following summarizes the types of payments and benefits to which each of our NEOs would have been entitled if a change of control had occurred or if both a change of control and a termination of employment had occurred, on September 30, 2013. These payments and benefits are generally based on the terms of our change of control agreements, and our relevant compensation and benefit plans, such as our Annual and Long-Term Incentive Performance Plans, stock option plans, 2001 Restricted Stock Plan, Retirement Restoration Plan, and nonqualified Executive Deferred Compensation Plan that were in place on September 30, 2013.

For each change of control scenario, we have not separately quantified any amounts that a NEO would receive under plans generally available to all management employees that do not discriminate in favor of the NEOs (such as vesting of stock option and restricted stock awards under equity plans and payments of pro-rated bonus awards relating to outstanding bonus awards).

Change of Control: In the event of a change of control of our company, which each relevant compensation and bonus plan generally defines in the same manner as under the change of control employment agreement we discuss above, on September 30, 2013 the following would have occurred as of the time of the change of control whether or not the NEO s employment terminated:

- the executive officer would have received a pro-rata portion of the maximum amount payable under each annual and long-term bonus award outstanding under our Annual and Long-Term Incentive Performance Plans;
- vesting of all stock options that the executive officer then holds would have accelerated so that the options will be exercisable in full;
- all of the executive officer s unvested shares of restricted stock and restricted stock units would have vested; and
- the executive s performance-based share units will be deemed earned at the target level, but will be pro-rated based on the number of days elapsed in the performance period prior to the change of control; and
- all amounts that the executive officer accrued under the nonqualified Executive Deferred Compensation Plan and Retirement Restoration Plan would have vested immediately and we would have paid these amounts in full in a lump sum.

The payments and the value of benefits under the change of control agreements or under any of our other plans and programs in connection with a change of control may exceed limitations that Section 280G of the Internal Revenue Code establishes, which would cause the executive officer to pay additional federal taxes. The change of control agreement previously provided that we would pay the executive officer an additional amount, called a gross-up payment, necessary to offset any taxes of this type that the Internal Revenue Service imposes on the executive officer and any additional taxes on this payment. During fiscal year 2010, the Committee eliminated this provision for any new executive officers elected after July 27, 2010. Effective September 25, 2012, the Committee eliminated this provision for all agreements.

Under the new Omnibus Incentive Plan, a double trigger will be required for accelerated vesting of equity awards in a change of control in which the awards are assumed or replaced, meaning that, in addition to the change of control occurring, the employee s employment must be terminated by us without cause or by the employee with good reason (if the employee has an agreement providing for good reason termination) for his or her unvested equity to become vested on an accelerated basis.

Termination Upon or Following a Change of Control*:* As we discuss above, we have change of control agreements with each of our NEOs. This agreement provides for a two year employment period that begins on the date of the change of control. Under the agreement,

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if we terminate the executive officer s employment (or our successor terminates the executive officer s employment) other than for cause;
if the executive officer terminates his employment for good reason; or
if the executive officer s employment ceases as a result of the executive officer s death or disability;

in each case within the two year period then the executive officer or the executive officer s beneficiary will receive:

a lump sum severance payment equal to three times the executive officer s annual cash compensation, which includes the executive officer s annual base salary and the greater of:
- the average of the executive officer s annualized annual and long-term cash bonuses for the three fiscal years preceding the change of control, or
- the sum of the annual and long-term cash bonuses for the most recently completed fiscal year;

payment of a pro-rata portion of the greater of the following:
- the average of the executive officer s annualized annual and long-term cash bonuses for the three fiscal years preceding the change of control, or
- the sum of the annual and long-term cash bonuses for the most recently completed fiscal year;

however, if (and only if) the executive officer s termination occurs on the change of control date, then we will reduce this amount by the amount we paid under the Annual and Long-Term Incentive Performance Plan as a result of the change of control);

a cash payment equal to the lump sum value of the additional benefits the executive officer would have accrued for the remainder of the employment period under our pension plan and our Retirement Restoration Plan, assuming the executive officer is fully vested in such benefits at the time of termination; and
continued medical and welfare benefits for the remainder of the employment period.

As we describe under Change of Control, the payments and the value of benefits we provide under the change of control agreements or under any of our other plans or programs in connection with the change of control may exceed limitations that Section 280G of the Internal Revenue Code establishes.

The following is an estimate of the severance and continued medical and welfare benefit value that each NEO would receive assuming the change of control and termination occurred on September 30, 2013:

	Stephen A. Roell	Alex A. Molinaroli	R. Bruce McDonald	C. David Myers	Beda Bolzenius
Severance [1]	$27,987,000	$13,596,000	$10,305,000	$11,535,000	$7,500,000
Continued Medical & Welfare Benefits [2]	$5,434,000	$1,444,000	$472,000	$31,000	$616,000

(1) The amount reported reflects the amounts actually earned under the short- and long-term bonus awards for the performance period ending in fiscal year 2013.

(2) The amount reflects our estimate of the cost to us of providing medical and welfare benefits for the employment period, including medical, prescription, dental, disability and life, accidental death and travel and accident insurance. The amount also includes the lump sum value of the additional benefits the NEO would have accrued during the employment period under our pension plan and our Retirement Restoration Plan.

If the executive officer terminates his employment during the employment period for other than good reason then the executive officer will receive only a payment of a pro-rata portion of the greater of the average of the executive officer s annualized annual and long-term cash bonuses for the three fiscal years preceding the change of control, or the sum of the annual and long-term cash bonuses for the most recently completed fiscal year.

If we terminate the executive officer s employment for cause, then no additional pay or benefits are due.

We would have cause to terminate the executive officer s employment under the change of control agreement if the executive repeatedly and deliberately fails to perform the duties of his position and does not correct such failure after notice, or if the executive officer is convicted of a felony involving moral misconduct.

The executive officer would have good reason to terminate employment under the change of control agreement if:

- we assign the executive officer duties inconsistent with his position or we take other actions to reduce the executive officer s authority or responsibilities;
- we breach any provision of the change of control agreement relating to salary, bonus and benefits payable following the change of control;
- we require the executive officer to relocate;
- we terminate the executive officer s employment other than as the agreement permits;
- we fail to require the successor in the change of control transaction to expressly assume the agreement; or
- we request that the executive perform an illegal or wrongful act in violation of our code of conduct.

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JOHNSON CONTROLS SHARE OWNERSHIP

Security Ownership of Management

The following table lists our common stock ownership as of November 15, 2013 for the persons or groups specified. Ownership includes direct and indirect (beneficial) ownership as defined by SEC rules. To our knowledge, each person, along with his or her spouse, has sole voting and investment power over the shares unless otherwise noted. None of these persons beneficially own more than 1% of our outstanding common stock.

Name of Beneficial Owner	Amount and Nature of Beneficial Ownership(1)	Options Exercisable Within 60 Days(2)	Stock Units(3)
Roell, Stephen A.	2,966,652	2,273,500	170,854
McDonald, R. Bruce	1,366,684	1,237,000	310,511
Myers, C. David	1,189,332	979,000	39,133
Bolzenius, Beda	788,923	670,000	
Molinaroli, Alex A.	670,607	587,500	88,447
Abney, David E.	6,775		18,863
Archer, Dennis W.	2,400		54,728
Black, Natalie A.	15,990		70,596
Bushman, Julie L.	3,720		
Clariond Reyes-Retana, Eugenio	370,743		58,461
Goodman, Richard	4,507		23,486
Joerres, Jeffrey A.	15,921		80,730
Lacy, William H.	46,629		98,320
Vergnano, Mark P.	3,570		
All Directors and Executive Officers as a group (24 persons)	**10,383,100**	**8,325,200**	**1,212,552**
Total percent of common stock	**1.52%**		

(1) Includes all shares over which the person holds or shares voting and/or investment power, and also includes the amount shown, if any, for such person in the Options Exercisable Within 60 Days column.

(2) Reflects options to purchase common stock exercisable within 60 days. These amounts are included in the amount in the Amount and Nature of Beneficial Ownership column.

(3) Reflects common stock equivalents under our deferred and equity based compensation plans. Each stock unit is intended to be the economic equivalent of one share of Johnson Controls, Inc. common stock. Units will not be distributed in the form of common stock. These amounts are not included in the amounts in the Amount and Nature of Beneficial Ownership column.

Security Ownership of Certain Beneficial Owners

The following table sets forth information concerning beneficial ownership of our common stock by persons known to us to own more than 5% of our common stock as of November 15, 2013.

Name and Address of Beneficial Owner	Amount and Nature of Ownership	Percent of Class
Capital World Investors (a division of Capital Research and Management Company)[1] 333 South Hope Street Los Angeles, CA 90071	39,696,000[1]	5.80%
BlackRock, Inc.[2] 40 East 52nd Street New York, NY 10022	39,130,181[2]	5.72%

1 Solely based on information in a Schedule 13G/A dated February 6, 2013 and filed with the SEC by Capital World Investors. The Schedule 13G/A indicates that as of February 6, 2013, Capital World Investors is the beneficial owner with sole voting power as to 26,501,000 shares and sole dispositive power as to 39,696,000 shares.

2 Solely based on information in a Schedule 13G/A dated February 11, 2013 and filed with the SEC by Blackrock Inc. The Schedule 13G/A indicates that as of February 11, 2013, Blackrock Inc. is the beneficial owner with sole voting power and sole dispositive power as to 39,130,181 shares.

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SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Based on a review of reports filed by our directors, executive officers and beneficial holders of 10% or more of our shares, and upon representations from those persons, all reports required to be filed during fiscal year 2013 with the SEC under Section 16(a) of the Securities Exchange Act of 1934 were timely made.

OTHER MATTERS AT THE ANNUAL MEETING

The Board knows of no other matters which will be presented at the Annual Meeting, but if other matters do properly come before the meeting, it is intended that the persons named in the proxy will vote according to their best judgment.

By Order of the Board of Directors,

Jerome D. Okarma

Vice President, Secretary and General Counsel

Dated: December 9, 2013

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Shareowner Services[SM]

P.O. Box 64945

St. Paul, MN 55164-0945

¨ *Check this box if address change, and indicate correction below:*

To vote by Internet or telephone, see reverse side of this proxy card.

Proxy

2014 Annual Meeting January 29, 2014

The Board of Directors recommends a vote FOR items 1 through 3.

					FOR ALL	**WITHHOLD FROM ALL**
1. Elect Directors	01 Natalie A. Black	02 Raymond L. Conner			¨	¨
	03 William H. Lacy	04 Alex A. Molinaroli				

EXCEPTIONS
To withhold authority to vote for any individual nominee(s), write the number code(s) of the nominee(s) in the exceptions box.

À ***Please fold here Do not separate*** À

2. Ratify the appointment of PricewaterhouseCoopers LLP as independent auditors for 2014.	¨ **FOR**	¨ **AGAINST**	¨ **ABSTAIN**
3. Approve on an advisory basis named executive officer compensation.	¨ **FOR**	¨ **AGAINST**	¨ **ABSTAIN**

If no direction is indicated on your returned card, this proxy will be voted FOR all nominees listed in item 1, FOR item 2, FOR item 3 and voted in the discretion of the proxies upon other such matters which may properly come before the meeting or any adjournments thereof.

[Important information contained on reverse side; please read.]

Dated:

Please sign in box.

Please sign name exactly as it appears on this card. When signing as attorney, executor, administrator, trustee, or guardian, give full title. For joint accounts, each owner must sign.

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The signatory, having received the Notice of Meeting and Proxy Statement dated December 9, 2013, and Annual Report on Form 10-K, hereby appoints A. A. Molinaroli and J. D. Okarma, and each of them, proxies with power of substitution to vote for the signatory at the annual shareholders meeting of Johnson Controls, Inc., to be held on January 29, 2014, and at any adjournments thereof, hereby revoking any proxy heretofore given by the signatory for such meeting.

This proxy when properly executed will be voted in the manner directed therein by the signatory. Your telephone or Internet vote authorizes the named proxies to vote your shares in the same manner as if you marked, signed and mailed your Proxy Form. This proxy allows you to vote all non-broker account shares of Johnson Controls you hold as of November 21, 2013. **If you submit your proxy by telephone or Internet, there is no need for you to mail back your Proxy Form.**

JOHNSON CONTROLS, INC.

PROXY

2014 Annual Meeting January 29, 2014

Johnson Controls and other plan participants: If you are a participant in the Johnson Controls Savings and Investment (401k) Plan, the Trim Masters, Inc. Retirement Plan, the Johnson Controls Automotive Experience Production Employee Savings and Investment (401k) Plan, the Johnson Controls Building Efficiency Retirement Savings Plan/Account Level Employees, the Bridgewater LLC Profit Sharing Plan, the Johnson Controls Federal Systems Retirement Savings (401k) Plan, the Avanzar Interior, LLC Savings and Investment (401k) Plan, or the JCIM US, LLC Savings and Investment (401k) Plan, this proxy card also entitles you to direct Fidelity Management Trust Company how to vote Johnson Controls shares credited to your account.

The shares credited to your account in any above-referenced plan will be voted as directed. If no voting direction is indicated on your returned card, if the card is not signed, or if the card is not received by January 23, 2014, the plan shares credited to your account will be voted in the same proportion as directions received from other participants.

If your shares of Johnson Controls, Inc. s Common Stock are registered in your name, and no voting direction is indicated on your returned card, the shares you hold will be voted FOR all nominees listed in item 1, FOR item 2, FOR item 3, and voted in the discretion of the proxies upon other such matters which may properly come before the meeting or any adjournments thereof.

If you own shares by other means than those stated above, you will receive separate proxy materials which you should complete and return as indicated in those materials. To understand the effect of not voting your shares, please refer to the Questions and Answers section of the Proxy Statement.

À ***Please fold here Do not separate*** À

Proxy

toll-free in U.S. and Canada: **1-866-833-3382**	**www.proxypush.com/jci**	
Use any touch-tone telephone to vote your proxy. Have your Proxy Form and the last four digits of your Social Security Number or Taxpayer Identification Number in hand when you call.	Use the Internet to vote your proxy. Have your Proxy Form and the last four digits of your Social Security Number or Taxpayer Identification Number in hand when you access the website to create your electronic ballot.	Mark, sign and date your Proxy Form and return it in the postage-paid envelope we have provided.