

SL GREEN REALTY CORP
Form 8-K
January 09, 2004

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SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 8-K/A

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the
Securities Exchange Act of 1934

Date of Report (Date of earliest event reported):
December 29, 2003

SL GREEN REALTY CORP.

(EXACT NAME OF REGISTRANT AS SPECIFIED IN ITS CHARTER)

MARYLAND

(STATE OF INCORPORATION)

1-13199

(COMMISSION FILE NUMBER)

13-3956775

(IRS EMPLOYER ID. NUMBER)

420 Lexington Avenue
New York, New York

(ADDRESS OF PRINCIPAL EXECUTIVE OFFICES)

10170

(ZIP CODE)

(212) 594-2700

(REGISTRANT'S TELEPHONE NUMBER, INCLUDING AREA CODE)

ITEM 2. ACQUISITION OR DISPOSITION OF ASSETS

On December 29, 2003, SL Green Realty Corp. purchased a 45% ownership interest in 1221 Avenue of the Americas for \$450 million, or \$394 per square foot, from The McGraw-Hill Companies. Rockefeller Group International, Inc. will retain its 55% ownership interest in 1221 Avenue of the Americas and it will continue to manage the property.

1221 Avenue of the Americas, known as The McGraw-Hill Companies building, is an approximately 2.55 million square foot, 50 story class "A" office building located in Rockefeller Center. The property is 100% leased to tenants including The McGraw-Hill Companies, Rockefeller Group International, Inc., Morgan Stanley, Société Générale and J.P. Morgan Chase & Co. The McGraw-Hill Companies has owned its interest and maintained a significant presence in the building since its construction in 1972. The going-in unlevered cash NOI yield on investment is 8.0% based on fully escalated in-place rents averaging \$51.62 per square foot.

The purchase price of \$450 million, which was determined through an arm's length negotiation between the Company and the seller was a negotiated price, was reduced by an amount equal to 45% of underlying property ownership indebtedness in the amount of \$175 million, provided by Wachovia Capital Markets, LLC and was paid in cash. The Company funded the cash component, in part, with proceeds from its

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offering of approximately \$157.5 million Series C Redeemable Preferred Stock that closed in December 2003. The balance of the proceeds were funded with the Company's unsecured line of credit and a \$100 million term loan provided by Wells Fargo Bank, N.A.

The Company has included audited financial statements for Rock-McGraw, Inc. prepared pursuant to Rule 3-14 of the Regulation S-X of the Securities and Exchange Commission. Due to the non-related party nature of this transaction, only audited statements for the year ended December 31, 2002 are required. The Company is not aware of any material factors relating to this property that would cause the reported financial information not to be necessarily indicative of future operating results.

ITEM 7. FINANCIAL STATEMENTS, PRO FORMA FINANCIAL INFORMATION AND EXHIBITS

(a) and (b) FINANCIAL STATEMENTS OF PROPERTY ACQUIRED AND PRO FORMA FINANCIAL INFORMATION

PRO FORMA CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

| | |
|------------------------------------------------------------------------------------------------------------|----|
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CONSOLIDATED FINANCIAL STATEMENTS

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(c) EXHIBITS

| | |
|-------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 10.1 | Share purchase agreement dated as of December 24, 2003 by and between The McGraw-Hill Companies, Inc. as seller and Green Hill Acquisition LLC as purchaser incorporated. |
| 23.1. | Consent of Ernst and Young LLP. |

SIGNATURES

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

SL GREEN REALTY CORP.

By: /s/ THOMAS E. WIRTH

Thomas E. Wirth
Chief Financial Officer

Date: January 8, 2004

SL GREEN REALTY CORP.**PRO FORMA CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)**

On December 29, 2003, the Company purchased a 45% interest in the property located at 1221 Avenue of the Americas, New York, NY ("Rock-McGraw, Inc.") from the McGraw-Hill Companies, Inc. for approximately \$450.0 million.

The unaudited pro forma condensed consolidated balance sheet of SL Green Realty Corp. (the "Company") as of September 30, 2003 has been prepared as if the Company's acquisition of the property located at 1221 Avenue of the Americas had been consummated on September 30, 2003. The unaudited pro forma condensed consolidated income statements for the year ended December 31, 2002 and the nine months ended September 30, 2003 are presented as if the Company's acquisition of the property located at 1221 Avenue of the Americas occurred on January 1, 2002 and the effect was carried forward through the year and the nine month period.

The pro forma condensed consolidated financial statements do not purport to represent what the Company's financial position or results of operations would have been assuming the completion of the this acquisition had occurred on January 1, 2002 and for the period indicated, nor do they purport to project the Company's financial position or results of operations at any future date or for any future period. These pro forma condensed consolidated financial statements should be read in conjunction with the Company's 2002 Annual Report on Form 10-K and the Company's Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2003.

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SL GREEN REALTY CORP.**PRO FORMA CONDENSED CONSOLIDATED BALANCE SHEET
AS OF SEPTEMBER 30, 2003
(UNAUDITED)
(IN THOUSANDS EXCEPT PER SHARE AMOUNTS)**

| | SL GREEN REALTY CORP. HISTORICAL (A) | PRO FORMA ADJUSTMENTS (B) | SL GREEN REALTY CORP. PROFORMA |
|-------------------------------------------------------------------------------|---------------------------------------------------------|------------------------------------------|-----------------------------------------------|
| ASSETS: | | | |
| Commercial real estate properties at cost: | | | |
| Land and land interests | \$ 167,816 | \$ | \$ 167,816 |
| Buildings and improvements | 841,716 | | 841,716 |
| Building leasehold | 251,866 | | 251,866 |
| Property under capital lease | 12,208 | | 12,208 |
| | 1,273,606 | | 1,273,606 |
| Less accumulated depreciation | (147,083) | | (147,083) |
| | 1,126,523 | | 1,126,523 |
| Cash and cash equivalents | 14,171 | | 14,171 |
| Restricted cash | 110,639 | | 110,639 |
| Tenant and other receivables, net of allowance of \$7,599 | 14,022 | | 14,022 |
| Related party receivables | 7,068 | | 7,068 |
| Deferred rents receivable, net of allowance for tenant credit loss of \$7,029 | 61,361 | | 61,361 |
| Structured finance investments | 167,954 | | 167,954 |
| Investments in unconsolidated joint ventures | 205,821 | 371,250 | 577,071 |
| Deferred costs, net | 36,969 | | 36,969 |
| Other assets | 20,619 | | 20,619 |

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| | SL GREEN REALTY CORP. HISTORICAL (A) | PRO FORMA ADJUSTMENTS (B) | SL GREEN REALTY CORP. PRO FORMA |
|-----------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------|---------------------------------|---------------------------------------|
| Total Assets | \$ 1,765,147 | \$ 371,250 | \$ 2,136,397 |
| LIABILITIES AND STOCKHOLDERS' EQUITY: | | | |
| Mortgage notes payable | \$ 532,426 | \$ | \$ 532,426 |
| Revolving credit facilities | 95,000 | 113,750 | 208,750 |
| Unsecured term loan | 165,000 | 100,000 | 265,000 |
| Derivative instruments at fair value | 5,390 | | 5,390 |
| Accrued interest payable | 2,553 | | 2,553 |
| Accounts payable and accrued expenses | 46,935 | | 46,935 |
| Deferred revenue/ gain | 9,267 | | 9,267 |
| Capitalized lease obligations | 16,090 | | 16,090 |
| Deferred land lease payable | 15,106 | | 15,106 |
| Dividend and distributions payable | 17,914 | | 17,914 |
| Security deposits | 21,110 | | 21,110 |
| Total liabilities | 926,791 | 213,750 | 1,140,541 |
| Commitments and Contingencies | | | |
| Minority interest in Operating Partnership | 53,947 | | 53,947 |
| Minority interest in partially owned entities | 525 | | 525 |
| STOCKHOLDERS' EQUITY | | | |
| 7.625% Series C Cumulative Redeemable Preferred Stock, \$0.01 per value; 6,300 shares issued and outstanding on a pro-forma basis | | 157,500 | 157,500 |
| Common stock, \$0.01 par value, 100,000 shares authorized, 35,876 issued and outstanding at September 30, 2003 | 358 | | 358 |
| Additional paid in capital | 722,565 | | 722,565 |
| Deferred compensation plans | (9,062) | | (9,062) |
| Accumulated other comprehensive loss | (5,382) | | (5,382) |
| Retained earnings | 75,405 | | 75,405 |
| Total stockholders' equity | 783,884 | 157,500 | 941,384 |
| Total liabilities and stockholders' equity | \$ 1,765,147 | \$ 371,250 | \$ 2,136,397 |

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

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SL GREEN REALTY CORP.
PRO FORMA CONDENSED CONSOLIDATED INCOME STATEMENT
FOR THE NINE MONTH PERIOD ENDED SEPTEMBER 30, 2003
(UNAUDITED)
(IN THOUSANDS EXCEPT PER SHARE AMOUNTS)

| | SL GREEN REALTY CORP. HISTORICAL (A) | PRO FORMA ADJUSTMENTS | SL GREEN REALTY CORP. PRO FORMA |
|---------------------------------------|-----------------------------------------------|--------------------------|---------------------------------------|
| REVENUES: | | | |
| Rental revenue | \$ 170,733 | \$ | \$ 170,733 |
| Escalation and reimbursement revenues | 31,586 | | 31,586 |
| Signage rent | 831 | | 831 |
| Investment income | 9,280 | | 9,280 |

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| | SL GREEN REALTY CORP. HISTORICAL (A) | PRO FORMA ADJUSTMENTS | SL GREEN REALTY CORP. PRO FORMA |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------|--------------------------|---------------------------------------|
| Preferred equity income | 2,945 | | 2,945 |
| Other income | 6,976 | | 6,976 |
| Total revenues | 222,351 | | 222,351 |
| EXPENSES: | | | |
| Operating expenses including \$5,416 to affiliates | 59,532 | | 59,532 |
| Real estate taxes | 32,397 | | 32,397 |
| Ground rent | 9,796 | | 9,796 |
| Interest | 32,809 | 4,379(B) | 37,188 |
| Depreciation and amortization | 34,844 | | 34,844 |
| Marketing, general and administrative | 8,984 | | 8,984 |
| Total expenses | 178,362 | 4,379 | 182,741 |
| Income (loss) from continuing operations before equity in net loss from affiliates, equity in net income of unconsolidated joint ventures, minority interest and discontinued operations | 43,989 | (4,379) | 39,610 |
| Equity in net loss from affiliates | (196) | | (196) |
| Equity in net income of unconsolidated joint ventures | 10,863 | 23,265(C) | 34,128 |
| Income before minority interest | 54,656 | 18,886 | 73,542 |
| Minority interest in partially owned entities | 64 | | 64 |
| Minority interest in operating partnership | (3,201) | (1,390)(D) | (4,591) |
| Income from continuing operations | 51,519 | 17,496 | 69,015 |
| Income from discontinued operations, net of minority interest | 3,173 | | 3,173 |
| Gain on sale of discontinued operations, net of minority interest | 21,269 | | 21,269 |
| Net income | 75,961 | 17,496 | 93,457 |
| Preferred stock dividends | (6,693) | | (6,693) |
| Preferred stock accretion | (394) | | (394) |
| Net income available to common shareholders | \$ 68,874 | \$ 17,496 | \$ 86,370 |
| BASIC EARNINGS PER SHARE:(E) | | | |
| Net income before income from discontinued operations | \$ 1.43 | | \$ 1.99 |
| Income from discontinued operations | 0.10 | | 0.10 |
| Gain on sale of discontinued operations | 0.69 | | 0.69 |
| Net income | \$ 2.22 | | \$ 2.78 |
| DILUTED EARNINGS PER SHARE:(E) | | | |
| Net income before income from discontinued operations | \$ 1.41 | | \$ 1.90 |
| Income from discontinued operations | 0.09 | | 0.09 |
| Gain on sale of discontinued operations | 0.59 | | 0.59 |
| Net income | \$ 2.09 | | \$ 2.58 |
| Dividends per common share | \$ 1.395 | | \$ 1.395 |
| Basic weighted average common shares outstanding | 31,021 | | 31,021 |
| | 38,748 | | 38,748 |

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| | SL GREEN REALTY CORP. HISTORICAL (A) | PRO FORMA ADJUSTMENTS | SL GREEN REALTY CORP. PRO FORMA |
|---------------------------------------------------------------------------------|-----------------------------------------------|--------------------------|---------------------------------------|
| Diluted weighted average common shares and common share equivalents outstanding | _____ | _____ | _____ |

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

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SL GREEN REALTY CORP.
PRO FORMA CONDENSED CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED DECEMBER 31, 2002
(UNAUDITED)
(IN THOUSANDS EXCEPT PER SHARE AMOUNTS)

| | SL GREEN REALTY CORP. HISTORICAL (A) | PRO FORMA ADJUSTMENTS | SL GREEN REALTY CORP. PRO FORMA |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------|-----------------------------|---------------------------------------|
| REVENUES: | | | |
| Rental revenue | \$ 179,520 | \$ | \$ 179,520 |
| Escalation and reimbursement revenues | 27,203 | | 27,203 |
| Signage rent | 1,488 | | 1,488 |
| Investment income | 15,396 | | 15,396 |
| Preferred equity income | 7,780 | | 7,780 |
| Other income | 5,570 | | 5,570 |
| | _____ | _____ | _____ |
| Total revenues | 236,957 | | 236,957 |
| EXPENSES: | | | |
| Operating expenses including \$6,745 to affiliates | 56,172 | | 56,172 |
| Real estate taxes | 28,287 | | 28,287 |
| Ground rent | 12,637 | | 12,637 |
| Interest | 35,421 | 6,960 (B) | 42,381 |
| Depreciation and amortization | 37,600 | | 37,600 |
| Marketing, general and administrative | 13,282 | | 13,282 |
| | _____ | _____ | _____ |
| Total expenses | 183,399 | 6,960 | 190,359 |
| Income (loss) from continuing operations before equity in net income from affiliates, equity in net income of unconsolidated joint ventures, minority interest, and discontinued operations | | | |
| | 53,558 | (6,960) | 46,598 |
| Equity in net income from affiliates | 292 | | 292 |
| Equity in net income of unconsolidated joint ventures | 18,383 | 23,435 (C) | 41,818 |
| | _____ | _____ | _____ |
| Income before minority interest | 72,233 | 16,475 | 88,708 |
| Minority interest in partially owned entities | | | |
| Minority interest | (4,286) | (1,092)(D) | (5,378) |
| | _____ | _____ | _____ |
| Income from continuing operations | 67,947 | 15,383 | 83,330 |

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| | SL GREEN REALTY CORP. HISTORICAL (A) | PRO FORMA ADJUSTMENTS | SL GREEN REALTY CORP. PRO FORMA |
|---------------------------------------------------------------------------------|--------------------------------------------|-----------------------------|---------------------------------------|
| Income from discontinued operations, net of minority interest | 6,384 | | 6,384 |
| Net income | 74,331 | 15,383 | 89,714 |
| Preferred stock dividends | (9,200) | | (9,200) |
| Preferred stock accretion | (490) | | (490) |
| Net income available to common shareholders | \$ 64,641 | \$ 15,383 | \$ 80,024 |
| BASIC EARNINGS PER SHARE:(E) | | | |
| Net income before, income from discontinued operations | \$ 1.93 | | \$ 2.44 |
| Income from discontinued operations | 0.21 | | 0.21 |
| Net income | \$ 2.14 | | \$ 2.65 |
| DILUTED EARNINGS PER SHARE:(E) | | | |
| Net income before, income from discontinued operations | \$ 1.92 | | \$ 2.36 |
| Income from discontinued operations | 0.17 | | 0.17 |
| Net income | \$ 2.09 | | \$ 2.53 |
| Dividends per common share | \$ 1.7925 | | \$ 1.7925 |
| Basic weighted average common shares outstanding | 30,236 | | 30,236 |
| Diluted weighted average common shares and common share equivalents outstanding | 37,786 | | 37,786 |

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

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SL GREEN REALTY CORP.

NOTES TO PRO FORMA CONDENSED CONSOLIDATED BALANCE SHEET
SEPTEMBER 30, 2003
(UNAUDITED AND IN THOUSANDS)

- (A) To reflect the unaudited condensed consolidated balance sheet of SL Green Realty Corp. at September 30, 2003 as reported on the Company's Quarterly Report on Form 10-Q.
- (B) To reflect the purchase price allocation of the Company's acquisition of a 45% interest in the property located at 1221 Avenue of the Americas as of September 30, 2003 for \$450,000. There was no independent valuation performed on this property. The Company intends to account for the acquisition in accordance with SFAS 141. We are currently in the process of analyzing the fair value of our in-place leases; and, consequently, no value has yet been assigned to the leases. Therefore, the purchase price allocation is preliminary and subject to change. The purchase was financed through the assumption of our share of property level debt of \$78,750 (45% of

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\$175,000), the issuance of approximately \$157,500 of preferred stock, a \$100,000 term loan and the balance (\$113,750) was funded through the Company's unsecured and secured credit facilities.

NOTES TO PRO FORMA CONDENSED CONSOLIDATED INCOME STATEMENT
NINE MONTHS ENDED SEPTEMBER 30, 2003
(UNAUDITED AND IN THOUSANDS)

- (A) To reflect the consolidated statement of income of SL Green Realty Corp. for the nine-month period ended September 30, 2003 as reported on the Company's Quarterly Report on Form 10-Q/A.
- (B) To record interest expense for borrowings under the term loan (\$100,000 at the weighted average interest rate of 2.73% and the unsecured and secured credit facilities (\$113,750 at the weighted average interest rate of 2.73%).

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- (C) To adjust for SL Green's 45% equity interest in the net income of the joint venture:

| | Rock-McGraw, Inc. ACQUISITION HISTORICAL (a) | Rock-McGraw, Inc. PRO FORMA ADJUSTMENTS | SL Green PRO FORMA ADJUSTMENTS | 1221 A of A PRO FORMA |
|-------------------------------------------------------------|----------------------------------------------------|-----------------------------------------------|--------------------------------------|--------------------------|
| REVENUES: | | | | |
| Rental revenue | \$ 85,890 | \$ | \$ 935(b) | \$ 86,825 |
| Escalation and reimbursement revenues | 13,493 | | | 13,493 |
| Other income | 151 | | | 151 |
| Total revenues | 99,534 | | 935 | 100,469 |
| EXPENSES: | | | | |
| Operating expenses | 21,978 | | | 21,978 |
| Real estate taxes | 17,049 | | | 17,049 |
| Interest | | 2,993 | (c) | 2,993 |
| Depreciation | | | 6,750(d) | 6,750 |
| Total expenses | 39,027 | 2,993 | 6,750 | 48,770 |
| Net income | \$ 60,507 | \$ (2,993) | \$ (5,815) | \$ 51,699 |
| SL Green's 45% of joint venture pro forma net income | | | (e) | \$ 23,265 |

(a) This represent the historical financial statements of Rock-McGraw, Inc. for the nine months ended September 30, 2003.

(b)

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Rental income from Rock-McGraw, Inc. was increased to reflect pro forma straight-line amounts as of January 1, 2002 (\$2,068) and the historic straight-line amount (\$1,133) was deducted.

- (c) To reflect interest expense on \$175,000 of new property level mortgage debt (\$2,993) at a weighted average annual rate of 2.28%.
- (d) To reflect straight-line depreciation for Rock-McGraw, Inc. based on an estimated useful life of 40 years.
- (e) To reflect the Company's 45% equity interest in the pro forma net income of Rock-McGraw, Inc.

(D) To reflect the minority shareholders interest of 6.90% in the operating partnership.

(E) Basic income per common share is calculated based on 31,021 weighted average common shares outstanding and diluted income per common share is calculated based on 38,748 weighted average common shares and common share equivalents outstanding. The preferred shares outstanding were dilutive during this period.

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YEAR ENDED DECEMBER 31, 2002 NOTES TO PRO FORMA CONDENSED CONSOLIDATED INCOME STATEMENT (UNAUDITED AND IN THOUSANDS)

- (A) To reflect the consolidated statement of income of SL Green Realty Corp. for the year ended December 31, 2002 as reported on the Company's Annual Report on Form 10-K/A.
- (B) To record interest expense for borrowings under the term loan (\$100,000 at the weighted average interest rate of 3.26%) and the unsecured and secured credit facilities (\$113,750 at the weighted average interest rate of 3.26%).
- (C) To adjust for SL Green's 45% equity interest in the net income of the joint venture:

| | Rock-McGraw, Inc. ACQUISITION HISTORICAL (a) | Rock-McGraw, Inc. PRO FORMA ADJUSTMENTS | SL Green PRO FORMA ADJUSTMENTS | 1221 A of A PRO FORMA |
|---------------------------------------|-----------------------------------------------------------------|--------------------------------------------------------|-----------------------------------------------|----------------------------------|
| REVENUES: | | | | |
| Rental revenue | \$ 90,508 | \$ | \$ 141(b) | \$ 90,649 |
| Escalation and reimbursement revenues | 19,195 | | | 19,195 |
| Other income | 199 | | | 199 |
| Total revenues | 109,902 | | 141 | 110,043 |
| EXPENSES: | | | | |
| Operating expenses | 26,157 | | | 26,157 |
| Real estate taxes | 17,887 | | | 17,887 |

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| | Rock-McGraw, Inc. ACQUISITION HISTORICAL (a) | Rock-McGraw, Inc. PRO FORMA ADJUSTMENTS | SL Green PRO FORMA ADJUSTMENTS | 1221 A of A PRO FORMA |
|------------------------------------------------------|-------------------------------------------------------|-----------------------------------------------|--------------------------------------|--------------------------|
| Interest | | 4,921 | (c) | 4,921 |
| Depreciation | | | 9,000(d) | 9,000 |
| Total expenses | 44,044 | 4,921 | 9,000 | 57,965 |
| Net income | \$ 65,858 | \$ (4,921) | \$ (8,859) | \$ 52,078 |
| SL Green's 45% of joint venture pro forma net income | | | (e) \$ | 23,435 |

(a) This represents the historical financial statements of Rock-McGraw, Inc. for the year ended December 31, 2002.

(b) Rental income from Rock-McGraw, Inc. was increased to reflect pro forma straight-line amounts as of January 1, 2002 (\$2,997) and the historic straight-line amount (\$2,856) was deducted.

(c) To reflect interest expense on \$175,000 of new property level mortgage debt (\$4,921) at a weighted average annual rate of 2.81%.

(d) To reflect straight-line depreciation for Rock-McGraw, Inc. based on an estimated useful life of 40 years.

(e) To reflect the Company's 45% equity interest in the pro forma net income of Rock-McGraw, Inc.

(D) To reflect the minority shareholders interest of 8.0% in the operating partnership.

(E) Basic income per common share is calculated based on 30,236 weighted average common shares outstanding and diluted income per common share is calculated based on 37,786 weighted average common shares and common share equivalents outstanding. The preferred shares outstanding were dilutive during this period.

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Report of Independent Auditors

Board of Directors and Stockholders
SL Green Realty Corp.

We have audited the statement of revenues and certain expenses of Rock-McGraw, Inc. (the "Company") for the year ended December 31, 2002. This statement is the responsibility of the Company's management. Our responsibility is to express an opinion on this financial statement based on our audit.

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We conducted our audit in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the statement of revenue and certain expenses is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the statement of revenue and certain expenses. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The accompanying statement of revenues and certain expenses of Rock-McGraw Inc. was prepared for the purpose of complying with Rule 3-14 of Regulation S-X of the Securities and Exchange Commission for inclusion in Form 8-K of SL Green Realty Corp. and is not intended to be a complete presentation of the Company's revenues and expenses.

In our opinion, the statement referred to above presents fairly, in all material respects, the revenues and certain expenses of the Company as described in Note 1 for the year ended December 31, 2002, in conformity with accounting principles generally accepted in the United States.

/s/ Ernst & Young LLP

New York, New York
February 4, 2003,
except for Note 1, as to which the date is
December 29, 2003

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Rock-McGraw, Inc.

Statements of Revenues and Certain Expenses

(In Thousands)

| | Nine Months ended September 30, 2003 (Unaudited) | Year ended December 31, 2002 |
|----------------------------------------|--------------------------------------------------------|---------------------------------|
| Revenues: | | |
| Base rents | \$ 85,890 | \$ 90,508 |
| Tenant reimbursements | 7,864 | 10,404 |
| Sales of services | 5,629 | 8,791 |
| Other income | 151 | 199 |
| | 99,534 | 109,902 |
| Certain expenses: | | |
| Real Estate taxes | 17,049 | 17,887 |
| Property operating expenses | 18,510 | 20,970 |
| Cost of service sales | 3,468 | 5,187 |
| | 39,027 | 44,044 |
| Revenues in excess of certain expenses | \$ 60,507 | \$ 65,858 |

See accompanying notes.

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Rock-McGraw, Inc.

Notes to Statement of Revenues and Certain Expenses

December 31, 2002

1. Basis of Presentation

Rock-McGraw, Inc. (the Company) is 55% owned by Rockefeller Group International, Inc. (RGII) and 45% owned by The McGraw-Hill Companies, Inc. The Company owns and operates the McGraw-Hill building located at 1221 Avenue of the Americas, New York, New York (the "Property"). Presented herein are the statements of revenues and certain expenses related to the operation of the Property. On December 29, 2003, SL Green Realty Corp., acquired the 45% interest previously held by the McGraw-Hill Companies Inc.

The accompanying financial statements have been prepared in accordance with the applicable rules and regulations of the Securities and Exchange Commission for the acquisition of real estate properties. Accordingly, the financial statements exclude certain expenses that may not be comparable to those expected to be incurred by the Company in the proposed future operations of the aforementioned property. Items excluded consist of interest, depreciation and general and administrative expenses not directly related to the future operations.

2. Use of Estimates

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

3. Revenue Recognition

The property is being leased to tenants under operating leases. Minimum rental income is generally recognized on a straight-line basis over the term of the lease. The excess of amounts so recognized over amounts due pursuant to the underlying leases amounted to approximately \$2,517,000 (unaudited) for the nine months ended September 30, 2003 and \$8,986,000, for the year ended December 31, 2002.

4. Related Party Transactions

Rental revenue included \$20,403,000 from the McGraw-Hill Companies, Inc. for the year ended December 31, 2002. Rental revenue also included \$2,239,000 from RGII and a related subsidiary for the year ended December 31, 2002. The Company receives a number of management and operating services from RGII and its affiliates. Amounts included in operating expenses for these services were \$6,346,000 for the year ended December 31, 2002.

Rental revenue included \$15,270,000 from the McGraw-Hill Companies, Inc. for the nine months ended September 30, 2003 (unaudited). Rental revenue also included \$2,370,000 from RGII and a related subsidiary for the nine months ended September 30, 2003 (unaudited). The Company receives a number of management and operating services from RGII and its affiliates. Amounts included in operating expenses for these services were \$5,255,000 for the nine months ended September 30, 2003.

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5. Property Operating Expenses

Property operating expenses for the year ended December 31, 2002 include \$920,000 for insurance, \$6,241,000 for utilities, \$3,327,000 for cleaning costs, \$2,385,000 in repair and maintenance costs and \$3,705,000 in payroll costs.

Property operating expenses for the nine months ended September 30, 2003 (unaudited) include \$1,682,000 for insurance, \$5,265,000 for utilities, \$2,835,000 for cleaning costs, \$1,547,000 for repairs and maintenance costs and \$3,177,000 for payroll costs.

6. Significant Tenants

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Three tenants constitute approximately 59% of rental revenue in both 2002 and for the nine months ended September 30, 2003.

7. Tenant Leasing Arrangements

The Company leases office, retail, and storage space to tenants in the Mc-Graw-Hill Building through non-cancelable operating leases expiring through 2020. The leases require fixed minimum monthly payments over their terms and also adjustments to rent for the tenants' proportionate share of changes in certain costs and expenses of the building. Certain leases also provide for additional rent, which is based upon a percentage of the sales of the lessee.

The following is a schedule of minimum future rentals on non-cancelable operating leases as of December 31, 2002:

| | Total | The McGraw-Hill Companies, Inc. | RGII and Related Subsidiaries |
|------------------------------|------------------|------------------------------------|----------------------------------|
| 2003 | \$ 112,223,000 | \$ 19,407,000 | \$ 3,000,000 |
| 2004 | 111,369,000 | 18,869,000 | 3,000,000 |
| 2005 | 111,167,000 | 18,600,000 | 3,000,000 |
| 2006 | 111,397,000 | 18,600,000 | 3,000,000 |
| 2007 | 107,024,000 | 18,600,000 | 3,000,000 |
| Later years | 732,882,000 | 227,849,000 | 11,850,000 |
| Total minimum future rentals | \$ 1,286,062,000 | \$ 321,925,000 | \$ 26,850,000 |

As a result of lease incentives, the actual lease payments may vary significantly from the amounts presented above. Future rentals from two unrelated parties amount to approximately 34% of total minimum future rentals listed above. Rental revenues from these tenants amounted to approximately 42% of total rental revenue for 2002.

RGII's lease expires as of December 31, 2011. McGraw-Hill's lease expires as of March 31, 2020.

8. Interim Unaudited Financial Information

The financial statement for the nine months ended September 30, 2003 is unaudited, however, in the opinion of management all adjustments (consisting solely of normal recurring adjustments), necessary for a fair presentation of the financial statement for the interim period have been included. The results of the interim period are not necessarily indicative of the results to be obtained for a full fiscal year.

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Rock-McGraw, Inc. Notes to Statement of Revenues and Certain Expenses