

SL GREEN REALTY CORP
Form 8-K
July 14, 2011
[Table of Contents](#)

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 8-K

CURRENT REPORT

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

Date of Report (Date of earliest event reported): **July 14, 2011**

SL Green Realty Corp.

(EXACT NAME OF REGISTRANT AS SPECIFIED IN ITS CHARTER)

Maryland
(STATE OR OTHER
JURISDICTION OF
INCORPORATION)

1-13199
(COMMISSION FILE NUMBER)

13-3956775
(IRS EMPLOYER ID. NUMBER)

SL Green Operating Partnership, L.P.

(EXACT NAME OF REGISTRANT AS SPECIFIED IN ITS CHARTER)

Delaware

33-167793-02

13-3960398

Edgar Filing: SL GREEN REALTY CORP - Form 8-K

(STATE OR OTHER
JURISDICTION OF
INCORPORATION)

(COMMISSION FILE NUMBER)

(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)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
 - Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
 - Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
 - Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
-

Table of Contents

Item 2.01 **Completion of Acquisition or Disposition of Assets**

The statements of revenues and certain expenses included under Item 9.01 of this report were prepared for the purpose of complying with Rule 3-14 of Regulation S-X of the Securities and Exchange Commission for inclusion in this Form 8-K filed by SL Green Realty Corp. and SL Green Operating Partnership, L.P. The information set forth under Item 9.01 is incorporated by reference herein.

Item 9.01 **Financial Statements and Exhibits**

(a) and (b) Financial Statements of Property Acquired and Pro Forma Financial Information

| | |
|--|----|
| <u>UNAUDITED PRO FORMA CONDENSED CONSOLIDATED FINANCIAL STATEMENTS</u> | 3 |
| <u>Pro Forma Condensed Consolidated Balance Sheet (Unaudited) as of March 31, 2011</u> | 4 |
| <u>Pro Forma Condensed Consolidated Income Statement (Unaudited) for the three months ended March 31, 2011</u> | 5 |
| <u>Pro Forma Condensed Consolidated Income Statement (Unaudited) for the year ended December 31, 2010</u> | 6 |
| <u>Notes to Pro Forma Financial Information</u> | 7 |
| CONSOLIDATED STATEMENTS OF REVENUES AND CERTAIN EXPENSES | |
| <u>Report of Independent Auditors</u> | 9 |
| <u>Statement of Revenues and Certain Expenses of 1515 Broadway Realty Corp. for the three months ended March 31, 2011 (unaudited) and for the year ended December 31, 2010</u> | 10 |
| <u>Notes to Statements of Revenues and Certain Expenses</u> | 11 |
| <u>Report of Independent Auditors</u> | 14 |
| <u>Statement of Revenues and Certain Expenses of 521 Fifth Avenue JV LLC for the year ended December 31, 2010</u> | 15 |
| <u>Notes to Statement of Revenues and Certain Expenses</u> | 16 |

(c) **EXHIBITS**

23.1. Consent of Ernst & Young LLP

Table of Contents

SL GREEN REALTY CORP.

PRO FORMA CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED)

In April 2011, SL Green Realty Corp. (we, SL Green or the Company) acquired SITQ Immobilier, a subsidiary of Caisse de depot et placement du Quebec, or SITQ s, entire interest in 1515 Broadway Realty Corp. (1515 Broadway), thereby acquiring full ownership of the 1,750,000 square foot building. The transaction valued the consolidated interests at \$1.234 billion. The purchase was funded with cash on hand, proceeds from the issuance of common stock by the Company through its at-the-market equity offering program, and the assumption of a \$458.8 million first mortgage. This property, which was acquired through a joint venture with SITQ in May 2002, was previously accounted for as an investment in unconsolidated joint ventures.

In January 2011, we purchased the City Investment Fund s 49.9% interest in 521 Fifth Avenue (521 Fifth), thereby acquiring full ownership of the building. The transaction valued the consolidated interests at approximately \$245.7 million, excluding \$4.5 million of cash and other assets acquired. We assumed \$140.0 million of mortgage financing in connection with this acquisition.

The pro forma condensed consolidated financial statements do not purport to represent what our financial position or results of operations would have been assuming the completion of these acquisitions had occurred on January 1, 2010 and for the period indicated, nor do they purport to project our 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 our 2010 Annual Report on Form 10-K and our Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2011.

Table of Contents**SL GREEN REALTY CORP.****PRO FORMA CONDENSED CONSOLIDATED BALANCE SHEET****AS OF MARCH 31, 2011****(UNAUDITED)****(IN THOUSANDS EXCEPT PER SHARE AMOUNTS)**

| | SL GREEN HISTORICAL (A) | 1515 BROADWAY HISTORICAL (B) | SL GREEN PRO FORMA ADJUSTMENTS (C) | SL GREEN PROFORMA |
|---|-------------------------------|---------------------------------------|---|----------------------|
| ASSETS: | | | | |
| Commercial real estate properties at cost | \$ 9,261,545 | \$ 461,429 | \$ 746,006 | \$ 10,468,980 |
| Less: accumulated depreciation | (953,993) | | | (953,993) |
| | 8,307,552 | 461,429 | 746,006 | 9,514,987 |
| Assets held for sale | 104,808 | | | 104,808 |
| Cash and cash equivalents | 234,009 | 19,230 | 1,805 | 255,044 |
| Restricted cash | 107,835 | 3,039 | | 110,874 |
| Investment in marketable securities | 64,440 | | | 64,440 |
| Tenant and other receivables, net of allowance of \$13,807 | 26,314 | 708 | 194 | 27,216 |
| Related party receivables | 3,653 | | | 3,653 |
| Deferred rents receivable, net of allowance for tenant credit loss of \$29,832 | 223,552 | 32,446 | (32,446) | 223,552 |
| Debt and preferred equity investments | 579,287 | | | 579,287 |
| Investments in unconsolidated joint ventures | 916,600 | | (33,504) | 883,096 |
| Deferred costs, net | 180,712 | 22,113 | (22,113) | 180,712 |
| Other assets | 693,604 | 11,204 | (1,902) | 702,906 |
| Total assets | \$ 11,442,366 | \$ 550,169 | \$ 658,040 | \$ 12,650,575 |
| LIABILITIES AND EQUITY: | | | | |
| Mortgage notes payable | \$ 3,280,084 | \$ 459,804 | \$ (1,037) | \$ 3,738,851 |
| Revolving credit facility | 500,000 | | | 500,000 |
| Term loans and unsecured notes | 1,018,674 | | | 1,018,674 |
| Accrued interest payable and other liabilities | 150,895 | 500 | (33) | 151,362 |
| Accounts payable and accrued expenses | 123,728 | 4,119 | (1,227) | 126,620 |
| Deferred revenue/ gain | 294,634 | 3,263 | (1,302) | 296,595 |
| Capitalized lease obligation | 17,060 | | | 17,060 |
| Deferred land leases payable | 18,318 | | | 18,318 |
| Dividend and distributions payable | 14,563 | | | 14,563 |
| Security deposits | 43,196 | 1,234 | | 44,430 |
| Liabilities related to assets held for sale | 121,635 | | | 121,635 |
| Junior subordinate deferrable interest debentures held by trusts that issued trust preferred securities | 100,000 | | | 100,000 |
| Total liabilities | 5,682,787 | 468,920 | (3,599) | 6,148,108 |
| Commitments and contingencies | | | | |
| Noncontrolling interests in SL Green Operating Partnership, L.P. | 143,756 | | | 143,756 |

Edgar Filing: SL GREEN REALTY CORP - Form 8-K

EQUITY

| | | | | |
|--|---------------|------------|------------|---------------|
| Series C preferred stock, \$0.01 par value, \$25.00 liquidation preference, 11,700 issued and outstanding at March 31, 2011 | 274,022 | | | 274,022 |
| Series D preferred stock, \$0.01 par value, \$25.00 liquidation preference, 4,000 issued and outstanding at March 31, 2011 | 96,321 | | | 96,321 |
| Common stock, \$0.01 par value, 160,000 shares authorized, 84,336 issued and outstanding at March 31, 2011 (including 3,411 shares at March 31, 2011 held in Treasury) | 844 | | | 844 |
| Additional paid in capital | 3,836,453 | 80,716 | 179,777 | 4,096,946 |
| Treasury stock at cost | (306,170) | | | (306,170) |
| Accumulated other comprehensive loss | (13,011) | | | (13,011) |
| Retained earnings | 1,207,504 | | 481,862 | 1,689,366 |
| Total SL Green stockholders equity | 5,095,963 | 80,716 | 661,639 | 5,838,318 |
| Noncontrolling interest in other partnerships | 519,860 | 533 | | 520,393 |
| Total equity | 5,615,823 | 81,249 | 661,639 | 6,358,711 |
| Total liabilities and equity | \$ 11,442,366 | \$ 550,169 | \$ 658,040 | \$ 12,650,575 |

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

Table of Contents**SL GREEN REALTY CORP.****PRO FORMA CONDENSED CONSOLIDATED INCOME STATEMENT****FOR THE THREE MONTH PERIOD ENDED MARCH 31, 2011****(UNAUDITED)****(IN THOUSANDS EXCEPT PER SHARE AMOUNTS)**

| | SL GREEN HISTORICAL(A) | 1515 BROADWAY ACQUISITION(B) | SL GREEN PRO FORMA ADJUSTMENTS | SL GREEN PRO FORMA |
|---|-----------------------------------|---|---|-------------------------------|
| REVENUES: | | | | |
| Rental revenues, net | \$ 228,970 | \$ 21,207 | \$ 699(C) | \$ 250,876 |
| Escalation and reimbursement revenues | 30,275 | 6,767 | | 37,042 |
| Investment and preferred equity income | 67,828 | | | 67,828 |
| Other income | 7,249 | 21 | | 7,270 |
| Total revenues | 334,322 | 27,995 | 699 | 363,016 |
| EXPENSES: | | | | |
| Operating expenses including \$3,115 to affiliates | 60,300 | 7,440 | | 67,740 |
| Real estate taxes | 40,067 | 5,278 | | 45,345 |
| Ground rent | 7,834 | | | 7,834 |
| Interest expense, net of interest income | 65,073 | 4,669 | | 69,742 |
| Amortization of deferred financing costs | 3,806 | | | 3,806 |
| Depreciation and amortization | 63,497 | | 4,916(D) | 68,413 |
| Transaction related costs | 2,434 | | | 2,434 |
| Marketing, general and administrative | 20,021 | | | 20,021 |
| Total expenses | 263,032 | 17,387 | 4,916 | 285,335 |
| Income from continuing operations before equity in net income of unconsolidated joint ventures, noncontrolling interests and discontinued operations | 71,290 | 10,608 | (4,217) | 77,681 |
| Equity in net income of unconsolidated joint ventures | 8,206 | | (2,527)(E) | 5,679 |
| Purchase price fair value adjustment | 13,788 | | | 13,788 |
| Loss on investment in marketable securities | (127) | | | (127) |
| Income from continuing operations | 93,157 | 10,608 | (6,744) | 97,021 |
| Net income attributable to noncontrolling interests in SL Green Operating Partnership, L.P. | (1,852) | (230) | 219(F) | (1,863) |
| Net income attributable to noncontrolling interests in other partnerships | (3,610) | | | (3,610) |
| Net income attributable to SL Green | 87,695 | 10,378 | (6,525) | 91,548 |
| Preferred stock dividends | (7,545) | | | (7,545) |
| Net income attributable to SL Green common stockholders | \$ 80,150 | \$ 10,378 | \$ (6,525) | \$ 84,003 |
| BASIC EARNINGS PER SHARE:(G) | \$ 1.01 | | | \$ 1.03 |

Edgar Filing: SL GREEN REALTY CORP - Form 8-K

Net income attributable to SL Green common
stockholders

DILUTED EARNINGS PER SHARE:(G)

Net income attributable to SL Green common
stockholders

| | | | | |
|----------------------------|----|------|----|------|
| | \$ | 1.00 | \$ | 1.03 |
| Dividends per common share | \$ | 0.10 | \$ | 0.10 |

Basic weighted average common shares
outstanding

79,401

81,347

Diluted weighted average common shares and
common share equivalents outstanding

81,643

83,589

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

Table of Contents**SL GREEN REALTY CORP.****PRO FORMA CONDENSED CONSOLIDATED INCOME STATEMENT****FOR THE YEAR ENDED DECEMBER 31, 2010****(UNAUDITED)****(IN THOUSANDS EXCEPT PER SHARE AMOUNTS)**

| | SL GREEN HISTORICAL(A) | 1515 BROADWAY ACQUISITION (B) | 521 FIFTH AVENUE ACQUISITION (C) | SLGREEN PRO FORMA ADJUSTMENTS | SL GREEN PRO FORMA |
|--|-----------------------------------|--|---|--|-------------------------------|
| REVENUES: | | | | | |
| Rental revenues, net | \$ 796,667 | \$ 76,469 | \$ 17,492 | \$ 4,835(D) | \$ 895,463 |
| Escalation and reimbursement revenues | 120,484 | 24,044 | 2,682 | | 147,210 |
| Investment and preferred equity income | 147,926 | | | | 147,926 |
| Other income | 36,169 | 45 | 117 | | 36,331 |
| Total revenues | 1,101,246 | 100,558 | 20,291 | 4,835 | 1,226,930 |
| EXPENSES: | | | | | |
| Operating expenses including \$14,234 to affiliates | 229,305 | 25,227 | 5,576 | | 260,108 |
| Real estate taxes | 148,828 | 20,016 | 4,377 | | 173,221 |
| Ground rent | 31,191 | | | | 31,191 |
| Interest expense, net of interest income | 233,647 | 19,076 | 1,799 | | 254,522 |
| Amortization of deferred financing costs | 9,928 | | | | 9,928 |
| Depreciation and amortization | 228,893 | | | 23,655(E) | 252,548 |
| Loan loss and other investment reserves | 20,501 | | | | 20,501 |
| Transaction related costs | 11,875 | | | | 11,875 |
| Marketing, general and administrative | 75,946 | | | | 75,946 |
| Total expenses | 990,114 | 64,319 | 11,752 | 23,655 | 1,089,840 |
| Income from continuing operations before equity in net income of unconsolidated joint ventures, noncontrolling interests and discontinued operations | 111,132 | 36,239 | 8,539 | (18,820) | 137,090 |
| Equity in net income of unconsolidated joint ventures | 39,607 | | | (10,414)(F) | 29,193 |
| Equity in net gain on sale of interest in unconsolidated joint venture | 128,922 | | | | 128,922 |
| Gain on investment in marketable securities | 490 | | | | 490 |
| Loss on early extinguishment of debt | (1,900) | | | | (1,900) |
| Income from continuing operations | 278,251 | 36,239 | 8,539 | (29,234) | 293,795 |
| Net income attributable to noncontrolling interests in SL Green Operating Partnership, L.P. | (4,574) | (572) | (135) | 1,332(G) | (3,949) |
| | (14,007) | | | | (14,007) |

Edgar Filing: SL GREEN REALTY CORP - Form 8-K

| | | | | | |
|---|------------|-----------|----------|-------------|------------|
| Net income attributable to noncontrolling interests in other partnerships | | | | | |
| Net income attributable to SL Green | 259,670 | 35,667 | 8,404 | (27,902) | 275,839 |
| Preferred stock dividends | (29,749) | | | | (29,749) |
| Net income attributable to SL Green common stockholders | \$ 229,921 | \$ 35,667 | \$ 8,404 | \$ (27,902) | \$ 246,090 |
| BASIC EARNINGS PER SHARE:(H) | | | | | |
| Net income from continuing operations before discontinued operations | \$ 1.32 | | | \$ | 1.45 |
| Equity in net gain on sale of interest in unconsolidated joint venture | 1.62 | | | | 1.54 |
| Net income attributable to SL Green common stockholders | \$ 2.94 | | | \$ | 2.99 |
| DILUTED EARNINGS PER SHARE:(H) | | | | | |
| Net income from continuing operations before discontinued operations | \$ 1.32 | | | \$ | 1.44 |
| Equity in net gain on sale of interest in unconsolidated joint venture | 1.62 | | | | 1.54 |
| Net income attributable to SL Green common stockholders | \$ 2.94 | | | \$ | 2.98 |
| Dividends per common share | \$ 0.40 | | | \$ | 0.40 |
| Basic weighted average common shares outstanding | 78,101 | | | | 82,300 |
| Diluted weighted average common shares and common share equivalents outstanding | 79,761 | | | | 83,960 |

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

Table of Contents

SL GREEN REALTY CORP.

NOTES TO PRO FORMA CONDENSED CONSOLIDATED BALANCE SHEET

MARCH 31, 2011

(UNAUDITED AND IN THOUSANDS)

(A) Reflects the unaudited condensed consolidated balance sheet of SL Green at March 31, 2011 as reported on the Company's Quarterly Report on Form 10-Q.

(B) Reflects the unaudited condensed consolidated balance sheet of 1515 Broadway as of March 31, 2011.

(C) Adjustments reflect the purchase price allocation of the Company's acquisition of the 45% joint venture interest in the property located at 1515 Broadway held by SITQ as of March 31, 2011 for approximately \$1,210,000. The Company is currently in the process of analyzing the fair value of the 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 funded with cash on hand, proceeds from the issuance of common stock by the Company through its at-the-market equity offering program, and the assumption of a \$458,767 first mortgage.

NOTES TO PRO FORMA CONDENSED CONSOLIDATED INCOME STATEMENT

THREE MONTHS ENDED MARCH 31, 2011

(UNAUDITED AND IN THOUSANDS)

(A) Reflects the consolidated statement of income of SL Green for the three month period ended March 31, 2011 as reported on the Company's Quarterly Report on Form 10-Q, excluding net income from discontinued operations of \$737.

(B) Reflects the historical operations of 1515 Broadway for the three month period ended March 31, 2011.

(C) Eliminates historical straight line rent and record pro forma straight line rent assuming the acquisition closed on January 1, 2010.

(D) Reflects straight-line depreciation for 1515 Broadway based on an estimated useful life of 40 years.

- (E) Eliminates the Company's 55% equity interest in the net income of the 1515 Broadway joint venture.
- (F) Allocates net income to the 2.17% noncontrolling interest in the Company's operating partnership, SL Green Operating Partnership, L.P. (SL Green OP).
- (G) Basic income per common share is calculated based on 81,347 weighted average common shares outstanding and diluted income per common share is calculated based on 83,589 weighted average common shares and common share equivalents outstanding.

Table of Contents

SL GREEN REALTY CORP.

NOTES TO PRO FORMA CONDENSED CONSOLIDATED INCOME STATEMENT

YEAR ENDED DECEMBER 31, 2010

(UNAUDITED AND IN THOUSANDS)

- (A) Reflects the consolidated statement of income of SL Green for the year ended December 31, 2010 as reported on the Company's Annual Report on Form 10-K, excluding net income from discontinued operations of \$5,420 and gain on sale of discontinued operations of \$35,485.
- (B) Reflects the historical operations of 1515 Broadway for the year ended December 31, 2010.
- (C) Reflects the historical operations of 521 Fifth Avenue for the year ended December 31, 2010.
- (D) Eliminates historical straight line rent and record pro forma straight line rent assuming the acquisitions of both 1515 Broadway and 521 Fifth Avenue closed on January 1, 2010.
- (E) Reflects straight-line depreciation for 1515 Broadway and 521 Fifth Avenue based, in each case, on an estimated useful life of 40 years.
- (F) Eliminates the Company's 68.45% equity interest in the net income of 1515 Broadway and 49.9% equity interest in the net income of 521 Fifth Avenue.
- (G) Allocates net income to the 1.58% noncontrolling interest in the Company's operating partnership, SL Green OP.
- (H) Basic income per common share is calculated based on 82,300 weighted average common shares outstanding and diluted income per common share is calculated based on 83,960 weighted average common shares and common share equivalents outstanding.

Table of Contents

Report of Independent Auditors

To the Board of Directors and Stockholders of SL Green Realty Corp.

We have audited the accompanying statement of revenues and certain expenses of 1515 Broadway Realty Corp. (the Company) for the year ended December 31, 2010. The statement of revenues and certain expenses is the responsibility of the Company's management. Our responsibility is to express an opinion on the statement of revenues and certain expenses based on our audit.

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 revenues 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 revenues and certain expenses. An audit also includes assessing the basis of accounting used and significant estimates made by management, as well as evaluating the overall presentation of the statement of revenues and certain expenses. We believe that our audit provides a reasonable basis for our opinion.

The accompanying statement of revenues and certain expenses was prepared for the purpose of complying with Rule 3-14 of Regulation S-X of the Securities and Exchange Commission for inclusion in the Form 8-K filed by SL Green Realty Corp. and SL Green Operating Partnership, L.P. as described in Note 2, and is not intended to be a complete presentation of the Company's revenues and expenses.

In our opinion, the statement of revenues and certain expenses referred to above present fairly, in all material respects, the revenues and certain expenses of the Company described in Note 2 for the year ended December 31, 2010, in conformity with U.S. generally accepted accounting principles.

/s/ Ernst & Young LLP

July 13, 2011

New York, New York

Table of Contents

1515 Broadway Realty Corp.
Statements of Revenues and Certain Expenses
(Dollars in Thousands)

| | Three Months Ended March 31, 2011 (Unaudited) | For the Year Ended December 31, 2010 |
|---|--|---|
| Revenues: | | |
| Rental revenue | \$ 21,207 | \$ 76,469 |
| Escalations and reimbursement revenues | 6,767 | 24,044 |
| Other income | 21 | 45 |
| Total revenues | 27,995 | 100,558 |
| Certain Expenses: | | |
| Operating expenses | 7,440 | 25,227 |
| Real estate taxes | 5,278 | 20,016 |
| Interest | 4,669 | 19,076 |
| Total expenses | 17,387 | 64,319 |
| Revenues in excess of certain expenses | \$ 10,608 | \$ 36,239 |

The accompanying notes are an integral part of these statements of revenues and certain expenses.

Table of Contents

1515 Broadway Realty Corp.

Notes to Statements of Revenues and Certain Expenses

December 31, 2010

(Dollars in Thousands)

1. Organization

1515 Broadway Realty Corp. (the Company) is a Maryland corporation that qualifies as a real estate investment trust (REIT) for Federal income tax purposes. The Company was formed by SL Green Private REIT LLC, a Delaware limited liability company (SLG 1515) and the predecessor-in-interest of SITQ BST-REIT, LP, a Delaware limited partnership (SITQ 1515). SLG 1515 is owned by SL Green Operating Partnership, L.P., a Delaware limited partnership (SL Green OP). SITQ 1515 is an indirect, wholly owned subsidiary of Caisse de dépôt et placement du Québec.

On May 15, 2002, the Company acquired an approximate 99.7% indirect fee ownership estate in the real property and improvements located at 1515 Broadway, New York, New York (the Property). The Property was acquired for approximately \$483,500. The Company's sole direct asset is its 99.9% membership interest in 1515 SLG Owner LLC which, through various entities, owns 99.8% of the Property, with the remaining 0.2% owned by the noncontrolling interest of the Company. The Property contains over 1.72 million rentable square feet. The Company currently does not intend to acquire other properties.

As a result of the loan modification more fully described in Note 3, pre-determined performance thresholds were exceeded in November 2005, thereby increasing SLG 1515's economic interest in the Property to approximately 68.5%.

On April 27, 2011, SL Green Realty Corp. acquired SITQ 1515's interest in the Property.

2. Basis of Presentation and Significant Accounting Policies

Presented herein is the statement of revenues and certain expenses related to the operations of an office building located at the Property in Manhattan, New York.

The accompanying statements of revenues and certain expenses have been prepared with the applicable rules and regulations of the Securities and Exchange Commission for the acquisition of real estate properties. Accordingly, the statements of revenues and certain expenses exclude depreciation and amortization, amortization of intangible assets and liabilities, and asset management fees not directly related to the future operations.

Principles of Consolidation

The consolidated statements of revenues and certain expenses include the accounts of the Company and its subsidiaries, which are wholly-owned or controlled by the Company. All significant inter-company balances and transactions have been eliminated in consolidation.

Revenue Recognition

Minimum rental revenue is recognized on a straight-line basis over the term of the lease. The Company establishes, on a current basis, a reserve for future potential losses, which may occur against deferred rent receivable and tenant receivables. The reserve is reflected in the accompanying consolidated statement of revenues and certain expenses.

Income Taxes

The Company is taxed as a REIT under Section 856(c) of the Internal Revenue Code (the Code). As a REIT, the Company generally is not subject to Federal income tax. To maintain qualification as a REIT, the

Table of Contents

1515 Broadway Realty Corp.

Notes to Statements of Revenues and Certain Expenses

December 31, 2010

(Dollars in Thousands)

Company must distribute at least 90% of its taxable income to its stockholders and meet certain other requirements. If the Company fails to qualify as a REIT in any taxable year, the Company will be subject to Federal income tax on its taxable income at regular corporate tax rates. The Company may also be subject to certain state and local taxes. Under certain circumstances, Federal income and excise taxes may be due on its undistributed taxable income.

Pursuant to amendments to the Code that became effective January 1, 2001, we have elected, and may in the future, elect to treat certain of our existing or newly created corporate subsidiaries as taxable REIT subsidiaries, or TRS. In general, a TRS of ours may perform non-customary services for our tenants, hold assets that we cannot hold directly and generally may engage in any real estate or non-real estate related business. Our TRS recorded approximately \$109 in Federal, state and local tax (benefit)/expense, of which \$106 has been paid.

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

Use of Estimates

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

3. Mortgage Note Payable

On December 22, 2009, the Company refinanced the Property with a \$475,000 mortgage. The mortgage bore interest at a rate of 3.50% until March 22, 2010 when the rate became the greater of LIBOR plus 250 basis points or 3.50%. The term of the mortgage is five years, during which time interest and principal, amortizable over a period of 25 years, is payable monthly. As of December 31, 2010, the loan bore interest at 3.50%.

4. Rental Income

The Company is the lessor to tenants under operating leases with expiration dates ranging from 2011 to 2024. The minimum rental amounts due under the leases are generally either subject to scheduled fixed increases or adjustments. The leases generally also require that the tenants reimburse the Company for increases in certain operating costs and real estate taxes above their base year costs. Future minimum rents to be received over the next five years and thereafter for noncancelable operating leases in effect at December 31, 2010 are as follows:

| | | |
|------------|----|---------|
| 2011 | \$ | 84,219 |
| 2012 | | 84,957 |
| 2013 | | 83,624 |
| 2014 | | 83,529 |
| 2015 | | 43,667 |
| Thereafter | | 166,222 |
| Total | \$ | 546,218 |

Table of Contents

1515 Broadway Realty Corp.

Notes to Statements of Revenues and Certain Expenses

December 31, 2010

(Dollars in Thousands)

5. Related Party Transactions

Pursuant to the Property Management and Leasing Agreement, SL Green Management Corp., an affiliate of SLG 1515, is responsible for the (a) management and leasing of the Property and (b) day-to-day corporate management of the Company and its subsidiaries. SL Green Management Corp. is entitled to a management fee equal to 2.0% of the gross receipts from the Property. SL Green Management Corp. is also entitled to certain leasing fees and construction fees as set forth in the Property Management and Leasing Agreement. SL Green Leasing LLC, a wholly owned subsidiary of SL Green Management Corp., is the leasing agent for the Property.

For the year ended December 31, 2010, SL Green Management Corp. earned \$2,007 in management fees. Management fees are a component of operating expenses in the accompanying statement of revenues and certain expenses.

There are business relationships with related parties, which involved repairs, maintenance and security expenses in the ordinary course of business. The Company's transactions with the related parties amounted to \$2,215 for the year ended December 31, 2010 and are a component of operating expenses on the accompanying statement of revenues and certain expenses.

On May 12, 2010, a majority owned subsidiary of SL Green OP, which through various entities holds a majority interest in the Company, assumed a license agreement covering the entire rentable portion of the 11th and 12th floors (Premises) of the Property. As such the affiliate agreed to pay the Company fixed annual rent and additional rent with regard to the aforementioned Premises. For the year ended December 31, 2010 the Company recognized \$1,893 of rental income from the affiliate.

6. Interim Unaudited Financial Information

The statement of revenues and certain expenses for the three months ended March 31, 2011 is unaudited; however, in the opinion of management, all adjustments (consisting solely of normal recurring adjustments) necessary for a fair presentation of the statements of revenues and certain expenses for this interim period has been included. The results of interim period are not necessarily indicative of the results to be obtained for a full fiscal year.

7. Subsequent Events

The Company has evaluated subsequent events through the date in which these consolidated statements of revenues and certain expenses were available for issuance on July 13, 2011.

On April 27, 2011, SL Green acquired SITQ 1515's interest in the Property.

Table of Contents

Report of Independent Auditors

To the Board of Directors and Stockholders of SL Green Realty Corp.

We have audited the accompanying statement of revenues and certain expenses of 521 Fifth Avenue JV LLC (the Company) for the year ended December 31, 2010. The statement of revenues and certain expenses is the responsibility of the Company's management. Our responsibility is to express an opinion on the statement of revenues and certain expenses based on our audit.

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 revenues 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 revenues and certain expenses. An audit also includes assessing the basis of accounting used and significant estimates made by management, as well as evaluating the overall presentation of the statement of revenues and certain expenses. We believe that our audit provides a reasonable basis for our opinion.

The accompanying statement of revenues and certain expenses was prepared for the purpose of complying with Rule 3-14 of Regulation S-X of the Securities and Exchange Commission for inclusion in the Form 8-K filed by SL Green Realty Corp. and SL Green Operating Partnership, L.P. as described in Note 2, and is not intended to be a complete presentation of the Company's revenues and expenses.

In our opinion, the statement of revenues and certain expenses referred to above present fairly, in all material respects, the revenues and certain expenses of the Company described in Note 2 for the year ended December 31, 2010, in conformity with U.S. generally accepted accounting principles.

/s/ Ernst & Young LLP

July 13, 2011

New York, New York

Table of Contents

521 Fifth Avenue JV LLC

Statement of Revenues and Certain Expenses

(Dollars in Thousands)

| | For the Year Ended December 31, 2010 |
|---|---|
| Revenues: | |
| Rental revenue | \$ 17,492 |
| Escalations and reimbursement revenues | 2,682 |
| Other income | 117 |
| Total revenues | 20,291 |
| Certain Expenses: | |
| Operating expenses | 5,576 |
| Real estate taxes | 4,377 |
| Interest | 1,799 |
| Total expenses | 11,752 |
| Revenues in excess of certain expenses | \$ 8,539 |

The accompanying notes are an integral part of this statement of revenues and certain expenses.

Table of Contents

521 Fifth Avenue JV LLC

Notes to Statement of Revenues and Certain Expenses

December 31, 2010

(Dollars in Thousands)

1. Organization

521 Fifth Avenue JV LLC (the Company), a Delaware limited liability company, was formed on December 15, 2006. The Company was formed for the purpose of acquiring, redeveloping, managing and operating the property located at 521 Fifth Avenue, New York, New York (521 Fifth or the Property).

This joint venture will terminate on December 31, 2056, unless terminated sooner or extended by the unanimous agreement of the members.

Effective with the Limited Liability Company Agreement (the LLC Agreement) dated December 15, 2006, the members' interests in the Company are as follows:

| | |
|---|-------|
| Green 521 Fifth Avenue Holding LLC (SL Green) | 50.1% |
| CIF 521 Member LLC (CIF) | 49.9% |

On December 15, 2006, pursuant to a purchase and sale agreement, SL Green sold a 49.9% interest in the Company to CIF for \$42,415 and the assumption of a proportionate amount of debt.

521 Fifth is an approximately 460,000-square foot commercial office building. SL Green acts as the managing member for the Company and is responsible for leasing and managing the Property. The LLC Agreement provides SL Green with the opportunity to gain certain economic benefits based on the financial performance of the Property.

On January 6, 2011, SL Green acquired CIF's 49.9% interest in the Property.

2. Basis of Presentation and Significant Accounting Policies

Edgar Filing: SL GREEN REALTY CORP - Form 8-K

Presented herein is the statement of revenues and certain expenses related to the operation of an office building located at 521 Fifth Avenue (the Property) in Manhattan, New York.

The accompanying statement of revenues and certain expenses has been prepared with the applicable rules and regulations of the Securities and Exchange Commission for the acquisition of real estate properties. Accordingly, the statement of revenues and certain expenses excludes depreciation and amortization, amortization of intangible assets and liabilities, and asset management fees not directly related to the future operations.

Revenue Recognition

Minimum rental revenue is recognized on a straight-line basis over the term of the lease. The Company establishes, on a current basis, a reserve for future potential losses, which may occur against deferred rent receivable and tenant receivables. The reserve is reflected in the accompanying consolidated statement of revenues and certain expenses.

Use of Estimates

The preparation of the statement of revenues and certain expenses in conformity with U.S. GAAP 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.

Table of Contents**521 Fifth Avenue JV LLC****Notes to Statement of Revenues and Certain Expenses****December 31, 2010***(Dollars in Thousands)***3. Mortgage Note Payable**

The Company is indebted under the terms of a first mortgage in the principal amount of \$140,000. The loan bears interest at the 30-day LIBOR plus 100 basis points, and matures on April 30, 2011, at which time all principal and unpaid interest is due. The loan is secured by the Property. See Note 6.

4. Rental Income

The Company is the lessor to tenants under operating leases with expiration dates ranging from 2011 to 2020. The minimum rental amounts due under the leases are generally either subject to scheduled fixed increases or adjustments. The leases generally also require that the tenants reimburse the Company for increases in certain operating costs and real estate taxes above their base year costs. Expected future minimum rents to be received over the next five years and thereafter for noncancelable operating leases in effect at December 31, 2010 are as follows:

| | | |
|------------|----|---------|
| 2011 | \$ | 19,369 |
| 2012 | | 18,167 |
| 2013 | | 15,820 |
| 2014 | | 13,455 |
| 2015 | | 11,515 |
| Thereafter | | 63,130 |
| | \$ | 141,456 |

5. Related Party Transactions

Pursuant to the Leasing and Management Agreement, SL Green Management Corp., an affiliate of SL Green, is responsible for the (a) management and leasing (itself or through a wholly owned subsidiary) of the Property and (b) day-to-day corporate management of the Company. This agreement will continue for one year and then automatically renew for successive one-year terms until terminated. SL Green Management Corp. is entitled to a management fee equal to 1.5% of the gross receipts from the Property. SL Green Management Corp. is also entitled to certain leasing fees ranging between 1.5% and 5% of the fixed annual rent and construction fees equal to 2% of the cost of the work as set forth in the Leasing and Management Agreement. SL Green Leasing LLC, a wholly owned subsidiary of SL Green Management Corp., is the leasing agent for the Property.

Edgar Filing: SL GREEN REALTY CORP - Form 8-K

For the year ended December 31, 2010, SL Green Management Corp. earned \$258 in management fees. There are business relationships with the related parties, which involved repairs, maintenance, construction and security expenses in the ordinary course of business. The Company's transactions with the related parties amounted to \$608 for the year ended December 31, 2010.

6. Subsequent Events

The Company has evaluated subsequent events through the date in which this statement of revenues and certain expenses was available for issuance on July 13, 2011.

On January 6, 2011 Green 521 Fifth Avenue Holdings LLC bought the remaining 49.9% membership interest in the Company from CIF 521 Member LLC for a purchase price of \$55 million.

In April 2011, SL Green refinanced 521 Fifth Avenue with a new \$150.0 million mortgage which carries a floating rate of interest of 200 basis points over the LIBOR. The mortgage matures on April 22, 2013. SL Green also exercised its right to acquire the fee interest in the property for \$15.0 million.

Table of Contents

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrants have duly caused this report to be signed on their behalf by the undersigned thereunto duly authorized.

SL GREEN REALTY CORP.

/s/ James Mead
James Mead
Chief Financial Officer

SL GREEN OPERATING PARTNERSHIP, L.P.
By: SL GREEN REALTY CORP., as general partner

/s/ James Mead
James Mead
Chief Financial Officer

Date: July 14, 2011