

SL GREEN REALTY CORP
Form 8-K
February 21, 2003

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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: February 21, 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 10170
(Address of Principal Executive Offices) (Zip Code)
(212) 594-2700
(Registrant's Telephone Number, Including Area Code)

ITEM 2. ACQUISITION OR DISPOSITION OF ASSETS

As previously announced on Form 8-K, filed December 12, 2002, SL Green Realty Corp. ("SL Green" or the "Company") announced that it had signed an agreement to acquire The News Building located at 220 East 42nd Street, New York, NY for \$265 million.

The purchase was consummated on February 13, 2003.

The landmark 1.1 million square foot News Building is 100% leased, with 18% of the leases expiring over the next 3 years. The building's high-quality tenancy includes Omnicom Group, which leases 40% of the building and other notable companies such as Tribune Company, WPIX-TV, Verizon, Value Line, Neuberger Berman, and United Nations Population Fund.

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

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

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PRO FORMA CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Pro Forma Condensed Consolidated Balance Sheet (Unaudited) as of September 30, 2002 F-2

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(C) EXHIBITS

10.1 Form of June 27, 2000 Revolving Credit and Guarantee Agreement incorporated by reference to the Company's Form 8-K, dated June 27, 2000, filed with the Commission on July 12, 2000.

10.2 Amended and Restated Credit and Guaranty Agreement dated February 6, 2003.

10.3 Employment and Non-competition Agreement between Stephen L. Green and the Company, dated August 20, 2002

10.4 Form of Agreement of Sale and Purchase dated as of January 30, 1998 between Graybar Building Company, as Seller and SL Green Operating Partnership, L.P., as Purchaser incorporated by reference to the Company's Form 8-K, dated March 18, 1998, filed with the Commission on March 31, 1998.

99.1 Consent of Ernst and Young LLP

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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: February 21, 2003

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SL GREEN REALTY CORP.

PRO FORMA CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

On December 9, 2002, the Company announced that it had entered into an agreement to purchase The News Building located at 220 East 42nd Street, New York, NY. This transaction was consummated on February 13, 2003.

The unaudited pro forma condensed consolidated balance sheet of SL Green Realty Corp. (the "Company") as of September 30, 2002 has been prepared as if the Company's acquisition of the property located at 220 East 42nd Street had been consummated on September 30, 2002. The unaudited pro forma condensed consolidated income statements for the year ended December 31, 2001 and the nine months ended September 30, 2002 are presented as if the Company's acquisition of the property located at 220 East 42nd Street occurred on January 1, 2001 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, 2001 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 2001 Annual Report on Form 10-K and the Company's Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2002.

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SL GREEN REALTY CORP.

PRO FORMA CONDENSED CONSOLIDATED BALANCE SHEET

AS OF SEPTEMBER 30, 2002

(Unaudited)

(In Thousands Except Per Share Amounts)

| | SL Green Realty Corp. Historical | Pro Forma Adjustments | SL Green Realty Corp. Proforma |
|---|--|--------------------------|--------------------------------------|
| | (A) | (B) | |
| ASSETS: | | | |
| Commerical real estate properties at cost: | | | |
| Land and land interests | \$ 131,078 | \$ 53,000 | \$ 184,078 |
| Buildings and improvements | 675,499 | 212,000 | 887,499 |
| Building leasehold | 147,911 | | 147,911 |
| Property under capital lease | 12,208 | | 12,208 |
| | <u>966,696</u> | <u>265,000</u> | <u>1,231,696</u> |
| Less accumulated depreciation | (119,056) | | (119,056) |
| | <u>847,640</u> | <u>265,000</u> | <u>1,112,640</u> |
| Assets held for sale | 41,185 | | 41,185 |
| Cash and cash equivalents | 13,450 | | 13,450 |
| Restricted cash | 32,538 | | 32,538 |
| Tenant and other receivables, net of allowance of \$5,882 | 8,066 | | 8,066 |
| Related party receivables | 4,832 | | 4,832 |
| Deferred rents receivable, net of allowance for tenant credit loss of \$6,321 | 54,992 | | 54,992 |
| Investment in and advances to affiliates | 3,146 | | 3,146 |
| Structured finance investments | 194,709 | (53,500) | 141,209 |
| Investments in unconsolidated joint ventures | 217,108 | | 217,108 |

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| | SL Green Realty Corp. Historical | Pro Forma Adjustments | SL Green Realty Corp. Proforma |
|---|--|--------------------------|--------------------------------------|
| Deferred costs, net | 34,957 | | 34,957 |
| Other assets | 14,569 | | 14,569 |
| Total Assets | \$ 1,467,192 | \$ 211,500 | \$ 1,678,692 |
| LIABILITIES AND STOCKHOLDERS' EQUITY: | | | |
| Mortgage notes payable | \$ 374,800 | \$ 186,500 | \$ 561,300 |
| Revolving credit facilities | 173,931 | 13,000 | 186,931 |
| Derivative instruments at fair value | 8,540 | | 8,540 |
| Accrued interest payable | 1,945 | | 1,945 |
| Accounts payable and accrued expenses | 33,935 | | 33,935 |
| Deferred compensation awards | 671 | | 671 |
| Deferred revenue | 3,777 | | 3,777 |
| Capitalized lease obligations | 15,895 | | 15,895 |
| Deferred land lease payable | 14,466 | | 14,466 |
| Dividend and distributions payable | 16,693 | | 16,693 |
| Security deposits | 19,420 | | 19,420 |
| Liabilities related to assets held for sale | 21,414 | | 21,414 |
| Total liabilities | 685,487 | 199,500 | 884,987 |
| Commitments and Contingencies | | | |
| Minority interest in Operating Partnership | 44,941 | 12,000 | 56,941 |
| 8% Preferred Income Equity Redeemable Shares SM \$0.01 par value \$25.00 mandatory liquidation preference, 25,000 authorized and 4,600 outstanding at September 30, 2002 | 111,599 | | 111,599 |
| STOCKHOLDERS' EQUITY | | | |
| Common stock, \$0.01 par value, 100,000 shares authorized, 30,376 issued and outstanding at September 30, 2002 | 303 | | 303 |
| Additional paid-in-capital | 591,668 | | 591,668 |
| Deferred compensation plans | (5,987) | | (5,987) |
| Accumulated other comprehensive loss | (8,279) | | (8,279) |
| Retained earnings | 47,460 | | 47,460 |
| Total stockholders' equity | 625,165 | | 625,165 |
| Total liabilities and stockholders' equity | \$ 1,467,192 | \$ 211,500 | \$ 1,678,692 |

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, 2002

(Unaudited)

(In Thousands Except Per Share Amounts)

| SL Green Realty. Corp Historical | 220 East 42 nd Street Acquisition | SL Green Realty Corp. Pro Forma Adjustments | SL Green Realty Corp. Pro Forma |
|---|--|---|---------------------------------------|
| (A) | (B) | | |

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| | SL Green Realty. Corp Historical | 220 East 42 nd Street Acquisition | SL Green Realty Corp. Pro Forma Adjustments | SL Green Realty Corp. Pro Forma |
|---|---|--|---|---------------------------------------|
| REVENUES: | | | | |
| Rental revenue | \$ 140,023 | \$ 22,433 | \$ 552(C) | \$ 163,008 |
| Escalation and reimbursement revenues | 21,630 | 2,734 | | 24,364 |
| Signage rent | 924 | | | 924 |
| Investment income | 11,420 | | | 11,420 |
| Preferred equity income | 5,805 | | (5,056)(D) | 749 |
| Other income | 3,402 | | | 3,402 |
| Total revenues | 183,204 | 25,167 | (4,504) | 203,867 |
| EXPENSES: | | | | |
| Operating expenses including \$5,068 to affiliates | 43,174 | 6,494 | | 49,668 |
| Real estate taxes | 21,798 | 3,921 | | 25,719 |
| Ground rent | 9,478 | | | 9,478 |
| Interest | 27,235 | | 4,988(E) | 32,223 |
| Depreciation and amortization | 28,648 | | 3,975(F) | 32,623 |
| Marketing, general and administrative | 9,719 | 553 | (553)(G) | 9,719 |
| Total expenses | 140,052 | 10,968 | 8,410 | 159,430 |
| Income (loss) before equity in net income from affiliates, equity in net income of unconsolidated joint ventures, and minority interest | 43,152 | 14,199 | (12,914) | 44,437 |
| Equity in net income from affiliates | 245 | | | 245 |
| Equity in net income of unconsolidated joint ventures | 13,113 | | | 13,113 |
| Income(loss) before minority interest | 56,510 | 14,199 | (12,914) | 57,795 |
| Minority interest in operating partnership | (3,380) | (1,142) | 296(H) | (4,226) |
| Income (loss) from continuing operations | 53,130 | 13,057 | (12,618) | 53,569 |
| Income from discontinued operations, net of minority interest | 2,034 | | | 2,034 |
| Net income (loss) | 55,164 | 13,057 | (12,618) | 55,603 |
| Preferred stock dividends | (6,900) | | | (6,900) |
| Preferred stock accretion | (368) | | | (368) |
| Net income (loss) available to common shareholders | \$ 47,896 | \$ 13,057 | \$ (12,618) | \$ 48,335 |
| BASIC EARNINGS PER SHARE:(I) | | | | |
| Net income (loss) before income from discontinued operations | \$ 1.52 | | | \$ 1.53 |
| Income from discontinued operations | 0.07 | | | 0.07 |
| Net income | \$ 1.59 | | | \$ 1.60 |
| DILUTED EARNINGS PER SHARE:(I) | | | | |
| Net income (loss) before income from discontinued operations | \$ 1.49 | | | \$ 1.52 |
| Income from discontinued operations | 0.06 | | | 0.05 |
| Net income | \$ 1.55 | | | \$ 1.57 |
| Basic weighted average common shares outstanding | 30,185 | | | 30,185 |
| Diluted weighted average common shares and common share equivalents outstanding | 33,074 | | | 38,188 |

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| SL Green Realty. Corp Historical | 220 East 42 nd Street Acquisition | SL Green Realty Corp. Pro Forma Adjustments | SL Green Realty Corp. Pro Forma |
|---|--|---|---------------------------------------|
|---|--|---|---------------------------------------|

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, 2001

(Unaudited)

(In Thousands Except Per Share Amounts)

| | SL Green Realty Corp. Historical | 220 East 42 nd Street Acquisition | SL Green Realty Corp. Pro Forma Adjustments | SL Green Realty Corp. Pro Forma |
|--|---|--|---|---------------------------------------|
| | (A) | (B) | | |
| REVENUES: | | | | |
| Rental revenue | \$ 197,665 | \$ 28,452 | \$ 4,494 (C) | \$ 230,611 |
| Escalation and reimbursement revenues | 30,361 | 3,031 | | 33,392 |
| Signage rent | 1,522 | | | 1,522 |
| Investment income | 14,808 | | | 14,808 |
| Preferred equity income | 2,561 | | (2,247)(D) | 314 |
| Other income | 2,770 | | | 2,770 |
| Total revenues | 249,687 | 31,483 | 2,247 | 283,417 |
| EXPENSES: | | | | |
| Operating expenses including \$5,805 to affiliates | 56,718 | 11,335 | | 68,053 |
| Real estate taxes | 29,828 | 5,754 | | 35,582 |
| Ground rent | 12,579 | | | 12,579 |
| Interest | 45,107 | | 11,253 (E) | 56,360 |
| Depreciation and amortization | 37,117 | | 5,300 (F) | 42,417 |
| Marketing, general and administrative | 15,374 | 689 | (689)(G) | 15,374 |
| Total expenses | 196,723 | 17,778 | 15,864 | 230,365 |
| Income (loss) before equity in net loss from affiliates, equity in net income of unconsolidated joint ventures, gain on sale, minority interest, and discontinued operations | 52,964 | 13,705 | (13,617) | 53,052 |
| Equity in net loss from affiliates | (1,054) | | | (1,054) |
| Equity in net income of unconsolidated joint ventures | 8,607 | | | 8,607 |
| Gain on sale of rental property/preferred Investment | 4,956 | | | 4,956 |
| Income (loss) before minority interest | 65,473 | 13,705 | (13,617) | 65,561 |
| Minority interest in operating partnership | (4,419) | (1,138) | 757 (H) | (4,800) |
| Cumulative effect of change in accounting principle | (532) | | | (532) |
| Income (loss) from continuing operations | 60,522 | 12,567 | (12,860) | 60,229 |
| Income from discontinued operations, net of minority interest | 2,479 | | | 2,479 |

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| | SL Green Realty Corp. Historical | 220 East 42 nd Street Acquisition | SL Green Realty Corp. Pro Forma Adjustments | SL Green Realty Corp. Pro Forma |
|---|---|--|---|---------------------------------------|
| | _____ | _____ | _____ | _____ |
| Net (loss) income | 63,001 | 12,567 | (12,860) | 62,708 |
| Preferred stock dividends | (9,200) | | | (9,200) |
| Preferred stock accretion | (458) | | | (458) |
| | _____ | _____ | _____ | _____ |
| Net income (loss) available to common shareholders | \$ 53,343 | \$ 12,567 | \$ (12,860) | \$ 53,050 |
| | _____ | _____ | _____ | _____ |
| BASIC EARNINGS PER SHARE:(I) | | | | |
| Net income (loss) before gain on sale, income from discontinued operations and cumulative effect adjustment | \$ 1.73 | | | \$ 1.55 |
| Income from discontinued operations | 0.09 | | | 0.08 |
| Gain on sales | 0.18 | | | 0.17 |
| Cumulative effect of change in accounting principle | (0.02) | | | (0.02) |
| | _____ | | | _____ |
| Net income | \$ 1.98 | | | \$ 1.78 |
| | _____ | | | _____ |
| DILUTED EARNINGS PER SHARE:(I) | | | | |
| Net income (loss) before gain on sale, income from discontinued operations and cumulative effect adjustment | \$ 1.72 | | | \$ 1.54 |
| Income from discontinued operations | 0.08 | | | 0.08 |
| Gain on sales | 0.16 | | | 0.15 |
| Cumulative effect of change in accounting principle | (0.02) | | | (0.02) |
| | _____ | | | _____ |
| Net income | \$ 1.94 | | | \$ 1.75 |
| | _____ | | | _____ |
| Basic weighted average common shares outstanding | 26,993 | | | 29,815 |
| | _____ | | | _____ |
| Diluted weighted average common shares and common share equivalents outstanding | 29,808 | | | 33,045 |
| | _____ | | | _____ |

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, 2002

(Unaudited and in Thousands)

(A) To reflect the unaudited condensed consolidated balance sheet of SL Green Realty Corp. at September 30, 2002 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 the property located at 220 East 42nd Street as of September 30, 2002 for \$265,000. There was no independent valuation performed on this property. The Company intends to account for the acquisition in accordance with SFAS 141 and 142. 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 \$186,500 of debt, the issuance of approximately 415 operating partnership units of SL Green Operating Partnership, L.P. valued at \$12,000 and the balance was funded through the

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Company's revolving line of credit. In addition, the Company's preferred equity investment of \$53,500 was repaid.

NOTES TO PRO FORMA CONDENSED CONSOLIDATED INCOME STATEMENT NINE MONTHS ENDED SEPTEMBER 30, 2002 (Unaudited and in Thousands)

- (A) To reflect the condensed consolidated statement of income of SL Green Realty Corp. for the nine month period ended September 30, 2002 as reported on the Company's Quarterly Report on Form 10-Q.
- (B) To reflect the historical operations of 220 East 42nd Street for the nine month period ended September 30, 2002.
- (C) Rental income for 220 East 42nd Street adjusted to reflect straight-line amounts as of January 1, 2001.
- (D) To reduce preferred equity income due to the repayment of the \$53,500 investment. This investment had a weighted average yield for the period of 12.6 percent.
- (E) To record interest expense for borrowings under the mortgage loans assumed (\$158,000 at the weighted average interest rate of 3.61% and \$28,500 at the weighted average interest rate of 8.09%) and the borrowing under the revolving line of credit (\$13,000 at a weighted average interest rate of 3.34%). Interest expense was reduced for the debt repaid from the proceeds from the repaid preferred equity investment (\$53,500 at the weighted average interest rate of 3.34%).
- (F) To reflect straight-line depreciation for 220 East 42nd Street based on an estimated useful life of 40 years.
- (G) This reflects the elimination of the asset management fees and management fees that the property incurred. It also reflects a reduction in professional fees.
- (H) To reflect the minority shareholders interest of 8.04% in the operating partnership.
- (I) Basic income per common share is calculated based on 30,185 weighted average common shares outstanding and diluted income per common share is calculated based on 38,188 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, 2001

NOTES TO PRO FORMA CONDENSED CONSOLIDATED INCOME STATEMENT (Unaudited and in Thousands)

- (A) To reflect the condensed consolidated statement of income of SL Green Realty Corp. for the year ended December 31, 2001 as reported on the Company's Annual Report on Form 10-K.
- (B) To reflect the historical operations of 220 East 42nd Street for the year ended December 31, 2001.
- (C)

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Rental income for 220 East 42nd Street adjusted to reflect straight-line amounts as of January 1, 2001.

- (D) To reduce preferred equity income due to the repayment of the \$53,500 investment. This investment had a weighted average yield for the period of 12.6 percent.
- (E) To record interest expense for borrowings under the mortgage loans assumed (\$158,000 at the year end interest rate of 3.6246% and \$28,500 at the year end interest rate of 8.11%) and the borrowing under the revolving line of credit (\$13,000 at a weighted average interest rate of 5.22%). Interest expense was reduced for the debt repaid from the proceeds from the repaid preferred equity investment (\$53,500 at the weighted average interest rate of 5.22%).
- (F) To reflect straight-line depreciation for 220 East 42nd Street based on an estimated useful life of 40 years.
- (G) This reflects the elimination of the asset management fees and management fees that the property incurred. It also reflects a reduction in professional fees.
- (H) To reflect the minority shareholders interest of 8.3% in the operating partnership.
- (I) Basic income per common share is calculated based on 29,815 weighted average common shares outstanding and diluted income per common share is calculated based on 33,045 weighted average common shares and common share equivalents outstanding. The preferred shares outstanding were anti-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 220 News Building (the "Company") for the year ended December 31, 2001. The financial statement is the responsibility of the Company's management. Our responsibility is to express an opinion on this financial statement 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 financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. 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 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 financial 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, 2001, in conformity with accounting principles generally accepted in the United States.

/s/ Ernst & Young

New York, New York
November 20, 2002

220 News Building

Statements of Revenues and Certain Expenses

| | Nine Months ended September 30, 2002 (Unaudited) | Year ended December 31, 2001 |
|---|--|---------------------------------|
| Revenues | | |
| Base rents | \$ 22,432,713 | \$ 28,451,933 |
| Tenant reimbursements | 2,734,486 | 3,030,676 |
| Total rental revenue | 25,167,199 | 31,482,609 |
| Certain expenses: | | |
| Real estate taxes | 3,920,841 | 5,754,187 |
| Management fees | 478,491 | 501,121 |
| Property operating expenses | 6,569,009 | 11,522,910 |
| Total certain expenses | 10,968,341 | 17,778,218 |
| Revenues in excess of certain expenses | \$ 14,198,858 | \$ 13,704,391 |

See accompanying notes.

220 News Building

Notes to Statement of Revenues and Certain Expenses

December 31, 2001**1. Basis of Presentation**

Presented herein is the statements of revenues and certain expenses related to the operation of an office building located at 220 East 42nd Street ("220 News" or the "Property") in Manhattan, New York. On November 20, 2002, SL Green Realty Corp., entered into an agreement to acquire 220 News, closing is expected to occur in early 2003.

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

220 News 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 \$869,000 (unaudited) for the nine months ended September 30, 2002 and \$1,633,000, for the year ended December 31, 2001.

Included in tenant reimbursements for the nine months ended September 30, 2002 is a true up of prior year tenant reimbursements in the amount of approximately \$310,000, which had been estimated in prior years.

4. Management Agreements

The Property is managed by The Witkoff Group, LLC (the "Property Manager"), an affiliate of one of the members of the Company, pursuant to a management agreement which provides for management fees at the rate of 1.5% of monthly rental income receipts, as defined. Management fees of approximately \$453,000 for the year ended December 31, 2001 and \$359,000 (unaudited) for the nine months ended September 30, 2002 were incurred. Additionally, the Property Manager shall, at the request of the Company, supervise certain capital improvement projects to the Property, and shall receive a fee equal to 5% of construction costs. As of September 30, 2002 and December 31, 2001, no construction management fees were incurred.

On September 7, 2001 the Company, entered into an Asset Management Agreement with SL Green Realty Corp. Pursuant to the agreement the asset management fee is equal to 0.5% of monthly rental income receipts, as defined. Asset management fees of approximately \$48,000 and \$120,000 (unaudited) were incurred during the year ended December 31, 2001 and nine months period ended September 30, 2002, respectively.

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5. Property Operating Expenses

Property operating expenses for the year ended December 31, 2001, respectively include \$119,024 for insurance, \$4,773,972 for utilities, \$2,332,240 for cleaning costs, \$1,676,581 in repair and maintenance costs, \$329,311 in administrative costs, \$2,104,126 in payroll costs and \$187,656 for professional services.

Property operating expenses for the nine months ended September 30, 2002 (unaudited) include \$111,321 for insurance, \$2,409,545 for utilities, \$1,440,351 for cleaning services, \$907,591 for repairs and maintenance costs, \$230,517 for administrative costs, \$1,395,087 for payroll costs and \$74,597 for professional services.

6. Significant Tenants

Two tenants constitute approximately 56% of rental revenue in 2001 and for the nine months ended September 30, 2002.

7. Future Minimum Rents Schedule

Future minimum lease payments to be received by 220 News as of December 31, 2001, under noncancelable operating leases are as follows:

| | Related Party | Other | Total |
|--------------|----------------------|-----------------------|-----------------------|
| 2002 | \$ 1,678,000 | \$ 30,222,000 | \$ 31,900,000 |
| 2003 | 1,678,000 | 30,384,000 | 32,062,000 |
| 2004 | 1,678,000 | 30,354,000 | 31,932,000 |
| 2005 | 1,687,000 | 29,776,000 | 31,463,000 |
| 2006 | 1,715,000 | 27,573,000 | 29,288,000 |
| Thereafter | 15,974,000 | 169,585,000 | 185,559,000 |
| Total | \$ 24,410,000 | \$ 317,894,000 | \$ 342,204,000 |

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The lease agreements generally contain provisions for reimbursement of real estate taxes and operating expenses over base year amounts, as well as fixed increases in rent.

8. Interim Unaudited Financial Information

The financial statement for the nine months ended September 30, 2002 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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QuickLinks

SIGNATURES

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

SL GREEN REALTY CORP. PRO FORMA CONDENSED CONSOLIDATED BALANCE SHEET AS OF SEPTEMBER 30, 2002 (Unaudited) (In Thousands Except Per Share Amounts)

SL GREEN REALTY CORP. PRO FORMA CONDENSED CONSOLIDATED INCOME STATEMENT FOR THE NINE MONTH PERIOD ENDED SEPTEMBER 30, 2002 (Unaudited) (In Thousands Except Per Share Amounts)

SL GREEN REALTY CORP. PRO FORMA CONDENSED CONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDED DECEMBER 31, 2001 (Unaudited) (In Thousands Except Per Share Amounts)

SL GREEN REALTY CORP. NOTES TO PRO FORMA CONDENSED CONSOLIDATED BALANCE SHEET SEPTEMBER 30, 2002 (Unaudited and in Thousands)

NOTES TO PRO FORMA CONDENSED CONSOLIDATED INCOME STATEMENT NINE MONTHS ENDED SEPTEMBER 30, 2002 (Unaudited and in Thousands)

YEAR ENDED DECEMBER 31, 2001 NOTES TO PRO FORMA CONDENSED CONSOLIDATED INCOME STATEMENT (Unaudited and in Thousands)

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220 News Building Notes to Statement of Revenues and Certain Expenses