

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

Pro Forma Condensed Consolidated Income Statement (Unaudited) for the nine months ended September 30, 2002 F-3

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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
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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
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Net (loss) income	63,001	12,567	(12,860)	62,708
Preferred stock dividends	(9,200)			(9,200)
Preferred stock accretion	(458)			(458)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Net income (loss) available to common shareholders	\$ 53,343	\$ 12,567	\$ (12,860)	\$ 53,050
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
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)
	<u> </u>			<u> </u>
Net income	\$ 1.98			\$ 1.78
	<u> </u>			<u> </u>
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)
	<u> </u>			<u> </u>
Net income	\$ 1.94			\$ 1.75
	<u> </u>			<u> </u>
Basic weighted average common shares outstanding	26,993			29,815