

SL GREEN REALTY CORP
Form 8-K
November 28, 2006

**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):

November 28, 2006

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)

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))

Item 9.01. Financial Statements And Exhibits

(a) and (b) Financial Statements Of Probable Acquisition And Pro Forma Financial Information

PRO FORMA CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Pro Forma Condensed Consolidated Balance Sheet (Unaudited) as of September 30, 2006

Pro Forma Condensed Consolidated Income Statement (Unaudited) for the nine months ended September 30, 2006

Pro Forma Condensed Consolidated Income Statement (Unaudited) for the year ended December 31, 2005

Notes to Pro Forma Financial Information

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On August 3, 2006, SL Green Realty Corp. (SL Green) and Reckson Associates Realty Corp. (Reckson) and together with SL Green, the Companies) entered into a definitive merger agreement.

Under the terms of the merger agreement, SL Green will acquire all of the outstanding shares of common stock of Reckson. Upon consummation of the merger, each outstanding share of common stock of Reckson will be converted into the right to receive \$31.68 in cash, an amount in cash equal to an adjusted prorated dividend and 0.10387 of a share of SL Green common stock without interest and less any required tax withholding, for total merger consideration of \$43.31 per share of Reckson common stock, based on the closing price per share of SL Green common stock of \$112.00 on August 2, 2006. Because the exchange ratio is fixed at 0.10387 of a share of SL Green common stock for each share of Reckson common stock, the value of the stock component of the merger consideration will fluctuate with the market price per share of SL Green common stock prior to the closing of the merger.

The historical consolidated financial statements of SL Green and Reckson are contained in each Company's respective Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and other information on file with the Securities and Exchange Commission. Financial statements of Reckson as of December 31, 2004 and 2005 and for the three years ended December 31, 2005, 2004 and 2003 and as of nine months ended September 30, 2006 and for the three and nine months ended September 30, 2006 are included as exhibits to this current report on Form 8-K. The unaudited pro forma condensed consolidated financial statements should be read in conjunction with, and are qualified in their entirety by, the notes thereto and the historical consolidated financial statements of both Companies, including the respective notes thereto.

The accompanying unaudited pro forma condensed consolidated balance sheet of SL Green as of September 30, 2006 has been prepared to reflect the effect of the merger and the simultaneous sale of approximately \$2.1 billion of assets to New Venture MRE LLC, a joint venture among certain senior management members of Reckson and Marathon Asset Management, LLC (the Asset Purchasing Venture), as if such transactions had occurred on September 30, 2006. The accompanying unaudited pro forma condensed consolidated statements of income for the nine months ended September 30, 2006 and the year ended December 31, 2005 have been prepared to reflect the effect of the merger, and the simultaneous sale of approximately \$2.1 billion of assets to the Asset Purchasing Venture, as if such transaction had occurred on January 1, 2005.

In the opinion of management, the pro forma condensed consolidated financial information provides for all significant adjustments necessary to reflect the effects of the above transaction. The pro forma adjustments and the purchase price allocation, as presented, are based on estimates and certain information that is currently available to SL Green's management.

The pro forma information is unaudited and is not necessarily indicative of the consolidated results that would have occurred if the transaction and adjustments reflected therein had been consummated in the period or on the date presented, or on any particular date in the future, nor does it purport to represent the financial position, results of operations or cash flows for future periods.

The unaudited pro forma condensed consolidated financial statements also give effect to SL Green's acquisition of 521 Fifth Avenue and 609 Fifth Avenue, the sales of 286 Madison Avenue, 290 Madison Avenue and 1140 Avenue of the Americas, as well as the July 2006 common stock offering of 2.5 million shares of SL Green common stock, but do not give effect to the results of operations of SL Green or Reckson subsequent to September 30, 2006.

The transaction has a total value of approximately \$6.0 billion, including Reckson's outstanding debt totaling approximately \$2.2 billion, the assets to be sold to the Asset Purchasing Venture totaling approximately \$2.1 billion and approximately \$1.7 billion in equity value. SL Green has received financing commitments totaling up to \$2.1 billion, which it may use to fund all or a portion of the total merger consideration.

There is no assurance that the merger will be consummated and, if consummated, that it will proceed on the terms reflected in the pro forma financial information provided in this document.

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The purchase price is determined as follows (in millions, except per share data):

| | |
|---|------------|
| Outstanding Shares of Reckson Stock (including the assumed conversion of certain partnership units and stock options prior to the merger) | 87.036 |
| Cash consideration (\$31.68 per share)(1) | \$ 2,729.1 |
| Common Stock consideration (\$11.63 per share)(2) | 1,012.2 |
| Estimated merger costs (see below) | 212.8 |
| Total consideration | 3,954.1 |
| Assumption of Recksons liabilities, including unsecured notes | 2,162.4 |
| Minority interest in consolidated debt | (136.0) |
| Total Purchase Price | \$ 5,980.5 |
| Total merger costs are estimated as follows: | |
| Legal, accounting, and other fees and costs | \$ 23.0 |
| Financial advisory fees | 36.0 |
| Debt assumption fees, insurance, financing and other costs | 78.1 |
| Payment of LTIP and payments relating to non-cash compensation | 19.5 |
| Employee and executive termination, severance and other related costs | 56.2 |
| Total merger costs | \$ 212.8 |

(1) Gives effect to the approximately \$28.2 million aggregate exercise price of outstanding options.

(2) Based on the closing price per share of SL Green's common stock of \$112.00 on August 2, 2006.

SL GREEN REALTY CORP.
PRO FORMA CONDENSED CONSOLIDATED BALANCE SHEET
AS OF SEPTEMBER 30, 2006
(UNAUDITED)
(IN THOUSANDS EXCEPT PER SHARE AMOUNTS)

| | SL GREEN REALTY CORP. HISTORICAL | RECKSON ASSOCIATES HISTORICAL | RECKSON ASSOCIATES MERGER ADJUSTMENTS | ASSET PURCHASING VENTURE ADJUSTMENTS | SL GREEN PRO FORMA ADJUSTMENTS | SL GREEN REALTY CORP. PRO FORMA |
|--|---|--|--|---|---|--|
| ASSETS : | | | | | | |
| Real estate assets, net | \$ 2,485,279 | \$ 3,007,565 | \$ 3,024,860 | \$ (2,015,378) | \$ 24,261 | (A) \$ 6,526,588 |
| Assets held for sale | 121,962 | 68,249 | (68,249) | | | (B) 121,962 |
| Cash and cash equivalents | 176,444 | 16,372 | 44,100 | | (226,882) | (C) 10,034 |
| Restricted cash | 227,482 | | 2,374 | | (158,032) | (C) 71,824 |
| Tenant and other receivables, net | 32,037 | 17,831 | 24,407 | | | 74,275 |
| Related party receivables | 9,563 | | | | | 9,563 |
| Deferred rents receivable, net | 85,242 | 152,376 | (152,376) | | | 85,242 |
| Structured finance investments | 347,558 | 201,128 | (31,344) | (36,284) | 237,300 | (D) 718,358 |
| Investments in unconsolidated joint ventures | 549,040 | 46,238 | 145,441 | (32,500) | | (E) 708,219 |
| Deferred costs, net | 74,223 | 84,459 | (84,459) | | 20,100 | (F) 94,323 |
| Other assets | 117,976 | 167,206 | (128,848) | | | 156,334 |
| Total Assets | \$ 4,226,806 | \$ 3,761,424 | \$ 2,775,906 | \$ (2,084,162) | \$ (103,253) | \$ 8,576,722 |
| LIABILITIES AND STOCKHOLDERS EQUITY: | | | | | | |
| Mortgage notes payable | \$ 1,255,325 | \$ 420,901 | \$ | \$ (91,898) | \$ 220,618 | (G) \$ 1,804,946 |
| Revolving credit facility | | 205,000 | (205,000) | | 57,784 | (C) 57,784 |
| Term loans | 525,000 | | | | 854,500 | (H) 1,379,500 |
| Senior unsecured notes | | 1,255,059 | | | | 1,255,059 |
| Accrued interest payable | 9,353 | | 17,168 | | | 26,521 |
| Accounts payable and accrued expenses | 96,741 | 122,885 | (31,216) | | | 188,410 |
| Deferred revenue/ gain | 63,358 | 72,919 | (72,919) | | 24,261 | (A) 87,619 |
| Capitalized lease obligations | 16,359 | | | | | 16,359 |
| Deferred land lease payable | 16,782 | | | | | 16,782 |
| Dividend and distributions payable | 33,247 | 36,583 | | | | 69,830 |
| Security deposits | 28,368 | | 11,194 | | | 39,562 |
| Liabilities related to assets held for sale | 95,379 | 63,733 | (63,733) | | | 95,379 |
| Junior subordinate deferrable debentures held by trust | 100,000 | | | | | 100,000 |
| Total liabilities | 2,239,912 | 2,177,080 | (344,506) | (91,898) | 1,157,163 | 5,137,751 |
| Commitments and Contingencies | | | | | | |
| Minority interest in operating partnership | 71,910 | 31,676 | (31,676) | | | (I) 71,910 |
| Minority interest in other partnerships | 56,929 | 262,339 | 177,511 | | | (J) 496,779 |
| STOCKHOLDERS EQUITY | | | | | | |
| Series C preferred stock, \$0.01 par value, \$25.00 liquidation preference, 6,300 issued and outstanding at September 30, 2006 | 151,981 | | | | | 151,981 |
| Series D preferred stock, \$0.01 par value, \$25.00 liquidation preference, 4,000 issued and outstanding at September 30, 2006 | 96,321 | | | | | 96,321 |
| Common stock, \$0.01 par value, 100,000 shares authorized, 45,774 issued and outstanding at September 30, 2006 | 458 | 835 | (835) | | 90 | (K) 548 |
| Additional paid in capital | 1,268,491 | 1,319,061 | (1,319,061) | | 1,012,137 | (K) 2,280,628 |
| Treasury stock | | (68,492) | 68,492 | | | (K) |
| Accumulated other comprehensive income | 13,060 | 2,102 | (2,102) | | | (K) 13,060 |

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| | | | | | | | | |
|---|--------------|--------------|---------------|---|------------|-----------|--------------|--------------|
| Retained earnings | 327,744 | 36,823 | (36,823 |) | | | 327,744 | |
| Total stockholders equity | 1,858,055 | 1,290,329 | (1,290,329 |) | | 1,012,227 | 2,870,282 | |
| Total liabilities and stockholders equity | \$ 4,226,806 | \$ 3,761,424 | \$ (1,489,000 |) | \$ (91,898 |) | \$ 2,169,390 | \$ 8,576,722 |

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, 2006
(UNAUDITED)
(IN THOUSANDS EXCEPT PER SHARE AMOUNTS)

| | SL GREEN REALTY CORP. HISTORICAL | 521 AND 609 FIFTH AVENUE ACQUISITIONS (L) | RECKSON ASSOCIATES HISTORICAL | RECKSON ASSOCIATES MERGER ADJUSTMENTS (M) | SL GREEN PRO FORMA ADJUSTMENTS | SL GREEN REALTY CORP. PRO FORMA |
|--|---|--|--|--|---|--|
| REVENUES: | | | | | | |
| Rental revenue, net | \$ 263,904 | \$ 11,028 | 363,244 | \$ (139,677) | \$ 12,428 (N) | \$ 510,927 |
| Escalation and reimbursement revenues | 51,171 | 1,322 | 60,613 | (17,995) | | 95,111 |
| Preferred equity and investment income | 46,499 | | 17,021 | (1,141) | 11,740 (O) | 74,119 |
| Other income | 30,892 | | 18,289 | (15,442) | | 33,739 |
| Total revenues | 392,466 | 12,350 | 459,167 | (174,255) | 24,168 | 713,896 |
| EXPENSES: | | | | | | |
| Operating expenses | 93,662 | 2,003 | 101,839 | (43,676) | | 153,828 |
| Real estate taxes | 56,613 | 1,852 | 73,929 | (30,681) | | 101,713 |
| Ground rent | 14,687 | | 7,968 | (335) | | 22,320 |
| Interest | 66,515 | 7,759 | 82,736 | 2,797 | 44,807 (P) | 204,614 |
| Amortization of deferred financing costs | 3,096 | | 3,210 | (3,210) | 3,277 (Q) | 6,373 |
| Depreciation and amortization | 53,493 | 3,133 | 101,660 | (42,588) | 23,315 (R) | 139,013 |
| Marketing, general and administrative | 40,072 | | 36,445 | (22,091) | (S) | 54,426 |
| Total expenses | 328,138 | 14,747 | 407,787 | (139,784) | 71,399 | 682,287 |
| Income (loss) from continuing operations before equity in net income of unconsolidated joint ventures, minority interest and discontinued operations | 64,328 | (2,397) | 51,380 | (34,471) | (47,231) | 31,609 |
| Equity in net income of unconsolidated joint ventures | 30,244 | | 2,889 | (2,380) | (279) | 30,474 |
| Equity in net gain on sale of interest in unconsolidated joint venture | | | 35,393 | (35,393) | | |
| Income (loss) from continuing operations before minority interest and discontinued operations | 94,572 | (2,397) | 89,662 | (72,244) | (47,510) | 62,083 |
| Minority interest in other partnerships | (3,359) | | (11,066) | 3,962 | (1,256) | (11,719) |
| Minority interest in operating partnership | (3,733) | 96 | (2,525) | 2,525 | 2,234 (T) | (1,403) |
| Income (loss) from continuing operations | 87,480 | (2,301) | 76,071 | (65,757) | (46,532) | 48,961 |
| Income from discontinued operations, net of minority interest | 4,497 | | 819 | (819) | | 4,497 |
| Gain on sale of discontinued operations, net of minority interest | 94,410 | | 10,027 | (10,027) | | 94,410 |
| Net income (loss) | 186,387 | (2,301) | 86,917 | (76,603) | (46,532) | 147,868 |
| Preferred stock dividends | (14,906) | | | | | (14,906) |
| Net income (loss) available to common shareholders | \$ 171,481 | \$ (2,301) | \$ 86,917 | \$ (76,603) | \$ (46,532) | \$ 132,962 |
| BASIC EARNINGS PER SHARE:(U) | | | | | | |
| Net income from continuing operations | \$ 1.66 | | | | | \$ 0.62 |
| Income from discontinued operations | 0.10 | | | | | 0.08 |
| | 2.16 | | | | | 1.73 |

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| | | |
|--|---------|---------|
| Gain on sale of discontinued operations | | |
| Net income | \$ 3.92 | \$ 2.43 |
| DILUTED EARNINGS PER SHARE:(U) | | |
| Net income from continuing operations | \$ 1.60 | \$ 0.61 |
| Income from discontinued operations | 0.10 | 0.08 |
| Gain on sale of discontinued operations | 2.08 | 1.69 |
| Net income | \$ 3.78 | \$ 2.38 |
| Dividends per common share | \$ 1.80 | \$ 1.80 |
| Basic weighted average common shares outstanding | | |
| | 43,784 | 54,642 |
| Diluted weighted average common shares and common share equivalents outstanding | | |
| | 47,718 | 58,576 |

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

SL GREEN REALTY CORP.
PRO FORMA CONDENSED CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED DECEMBER 31, 2005
(UNAUDITED)
(IN THOUSANDS EXCEPT PER SHARE AMOUNTS)

| | SL GREEN REALTY CORP. HISTORICAL | 521 AND 609 FIFTH AVENUE ACQUISITIONS (L) | RECKSON ASSOCIATES HISTORICAL | RECKSON ASSOCIATES MERGER ADJUSTMENTS (M) | SL GREEN PRO FORMA ADJUSTMENTS | SL GREEN REALTY CORP. PRO FORMA |
|--|---|--|--|--|---|--|
| REVENUES: | | | | | | |
| Rental revenue | \$ 285,317 | \$ 32,546 | 468,034 | \$ (198,946) | \$ 15,570 (N) | \$ 602,521 |
| Escalation and reimbursement revenues | 55,740 | 4,562 | 78,114 | (20,920) | | 117,496 |
| Preferred equity and investment income | 44,989 | | 14,118 | 7,055 | 12,197 (O) | 78,359 |
| Other income | 38,143 | 2 | 11,787 | (9,241) | | 40,691 |
| Total revenues | 424,189 | 37,110 | 572,053 | (222,052) | 27,767 | 839,067 |
| EXPENSES: | | | | | | |
| Operating expenses | 99,465 | 6,863 | 121,737 | (48,310) | | 179,755 |
| Real estate taxes | 58,036 | 5,966 | 87,752 | (33,951) | | 117,803 |
| Ground rent | 19,250 | | 9,552 | (6,818) | | 21,984 |
| Interest | 77,353 | 21,800 | 110,891 | (18,333) | 59,565 (P) | 251,276 |
| Amortization of deferred financing costs | 4,461 | | 4,166 | (4,166) | 4,370 (Q) | 8,831 |
| Depreciation and amortization | 58,649 | 9,278 | 126,662 | (47,899) | 31,087 (R) | 177,777 |
| Marketing, general and administrative | 44,215 | | 55,972 | (S) (37,182)(S) | | 63,005 |
| Total expenses | 361,429 | 43,907 | 516,732 | (196,659) | 95,022 | 820,431 |
| Income (loss) from continuing operations before equity in net income from unconsolidated joint ventures, gain on sale, minority interest and discontinued operations | 62,760 | (6,797) | 55,321 | (25,393) | (67,255) | 18,636 |
| Equity in net income of unconsolidated joint ventures | 49,349 | | 1,371 | (1,039) | (372) | 49,309 |
| Equity in net gain on sale of interest in unconsolidated joint venture | 11,550 | | 92,130 | (92,130) | | 11,550 |
| Income (loss) from continuing operations before minority interest and discontinued operations | 123,659 | (6,797) | 148,822 | (118,562) | (67,627) | 79,495 |
| Minority interest in other partnerships | (809) | | (15,749) | 7,301 | (1,674) | (10,931) |
| Minority interest in operating partnership | (5,811) | 304 | (4,264) | 4,264 | 3,328 (T) | (2,179) |
| Income (loss) from continuing operations | 117,039 | (6,493) | 128,809 | (106,997) | (65,973) | 66,385 |
| Income from discontinued operations, net of minority interest | 6,505 | | 7,373 | (7,373) | | 6,505 |
| Gain on sale of discontinued operations, net of minority interest | 33,875 | | 61,459 | (61,459) | | 33,875 |
| Net (loss) income | 157,419 | (6,493) | 197,641 | (175,829) | (65,973) | 106,765 |
| Preferred stock dividends | (19,875) | | | | | (19,875) |
| Net income (loss) available to common shareholders | \$ 137,544 | \$ (6,493) | \$ 197,641 | \$ (175,829) | \$ (65,973) | \$ 86,890 |
| BASIC EARNINGS PER SHARE:(U) | | | | | | |
| Net income from continuing operations | \$ 2.04 | | | | | \$ 0.65 |
| Income from discontinued operations | 0.16 | | | | | 0.12 |
| Gain on sale of discontinued operations | 0.81 | | | | | 0.64 |
| Gain on sale of joint venture property | 0.28 | | | | | 0.22 |

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| | | |
|---|---------|---------|
| Net income | \$ 3.29 | \$ 1.63 |
| DILUTED EARNINGS PER SHARE | | |
| (U) | | |
| Net income from continuing operations | \$ 2.01 | \$ 0.64 |
| Income from discontinued operations | 0.15 | 0.12 |
| Gain on sale of discontinued operations | 0.79 | 0.64 |
| Gain on sale of joint venture property | 0.25 | 0.20 |
| Net income | \$ 3.20 | \$ 1.60 |
| Dividends per common share | \$ 2.22 | \$ 2.22 |
| Basic weighted average common shares outstanding | 41,793 | 53,328 |
| Diluted weighted average common shares and common share equivalents outstanding | 45,504 | 57,039 |

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

SL Green Realty Corp.
Notes To Unaudited Pro Forma
Condensed Consolidated Financial Statements
(Amounts in thousands)

(A) Reflects the purchase price allocation, which may differ from the actual purchase price allocation upon realization of any accrued costs and final fair value determination of certain intangible assets and liabilities. The aggregate purchase price of approximately \$4.0 billion has been allocated to the tangible and intangible assets and liabilities. Real estate includes intangible assets for the value attributable to above and below market leases, and in-place-leases. Minority interest in consolidated joint ventures relates to an asset that is being consolidated under EITF 04-5. The purchase price has been allocated as follows:

| | |
|---|--------------|
| Value to be allocated to assets, based upon merger consideration | \$ 5,980,557 |
| Less: value of Reckson's non-real estate assets acquired | |
| Structured finance investments | (133,500) |
| Investments in unconsolidated joint ventures | (159,757) |
| Other assets | (143,442) |
| Real estate and other assets sold to the Asset Purchasing Venture | (2,084,162) |
| Subtotal | 3,459,696 |
| Add: Minority interest in consolidated joint ventures | 557,351 |
| Fair value of acquired consolidated Reckson real estate, net | \$ 4,017,047 |
| <u>Purchase price allocation</u> | |
| Land | \$ 787,629 |
| Building and improvements | 3,150,518 |
| Development in progress | 78,900 |
| Fair value of acquired consolidated Reckson real estate, net | \$ 4,017,047 |

(B) Represents the elimination of assets held for sale by Reckson (\$68,249).

(C) Represents cash primarily expected to be generated by asset sales (\$44,100) by Reckson prior to closing of the merger. Proceeds from asset sales and the SL Green July 2006 offering were used to fund new investments and repay SL Green's revolving credit facility and will fund future acquisitions which may include the merger, depending on the timing of additional investments.

(D) Represents structured finance investments being retained by the Asset Purchasing Venture (\$36,284) as well as new loans SL Green will be making, directly or through one of its affiliates, to the Asset Purchasing Venture (\$237,300). The Company expects to sell a senior participation in one of the loans.

(E) Represents the value of the joint venture investments being acquired by SL Green, reduced by an investment being sold to the Asset Purchasing Venture (\$32,500).

(F) Represents the elimination of Reckson's historical deferred costs (\$84,459) and the new financing costs incurred by SL Green in connection with the committed financing (\$20,100).

(G) Represents debt retained by the Asset Purchasing Venture as well as the defeasance of a mortgage that matures in August 2009. In addition, SL Green has \$298,000 of mortgage financing committed by a lender.

(H) Represents the amount SL Green expects to draw under a newly committed term facility. A lender has committed to fund this new term loan in an amount up to \$1,500,000.

- (I) Represents the elimination of Reckson's historical minority interest (\$31,676).
- (J) Represents an adjustment to the assets and liabilities to reflect the portion of the consolidated joint ventures not owned by SL Green.
- (K) Represents the elimination of Reckson's historical stockholders' equity and the issuance of shares of SL Green common stock in connection with the merger. Together with the minority interest component, SL Green will be issuing approximately \$1,012,227 of common stock in connection with the merger.

The calculation for the issuance of SL Green's common stock is as follows:

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| | |
|--|--------------|
| Outstanding shares of Reckson stock | 87,036 |
| Fixed conversion ratio | 0.10387 |
| Number of SL Green shares of common stock to be issued | 9,040.3 |
| Stock price on date of merger announcement | 112.00 |
| Value of common stock to be issued | \$ 1,012,227 |

(L) Represents the pro forma effects of the investment in 609 Fifth Avenue in June 2006 and the acquisition of 521 Fifth Avenue in March 2006 as filed under 8-K/A dated September 14, 2006.

(M) Represents historical results of operations for the \$2,084,162 of assets being sold to the Asset Purchasing Venture. The Reckson merger adjustments also include the following adjustments:

| | 9/30/06 | 12/31/05 |
|--|-----------|-----------|
| Elimination of historic straight-line rent and in-place lease amortization | (18,031) | (39,578) |
| Add straight-line adjustment and in-place lease amortization assuming the real estate had been acquired on January 1, 2005 | 22,657 | 37,827 |
| Elimination of investment income due to sale of investments to Asset Purchasing Venture | (1,141) | |
| Assumption that acquired structured finance investments were outstanding for entire year during 2005 | | 7,055 |
| Depreciation expense based on purchase price allocated to building assuming a 40-year useful life. | (59,072) | (78,763) |

(N) Represents the adjustment to rental revenue for the amortization of above, below and in-place market rents over the remaining lease terms ranging from one month to 14 years.

(O) Represents investment income expected to be earned on \$237,300 of new structured finance investments.

(P) Represents increase to interest expense due to the new debt committed to finance the acquisition at current interest rates.

| | 9/30/06 | 12/31/05 |
|---|------------|------------|
| Assumed borrowing under committed \$1.5 billion term facility | \$ 854,500 | \$ 854,500 |
| Average interest rate (LIBOR plus spread) | 6.57 % | 6.57 % |
| Interest expense | \$ 42,124 | \$ 56,165 |
| Assumed borrowing under revolving credit facility | \$ 57,784 | \$ 57,784 |
| Average interest rate (LIBOR plus spread) | 6.42 % | 6.42 % |
| Interest expense | \$ 2,784 | \$ 3,711 |
| Assumed borrowings under new mortgage loans | \$ 298,000 | \$ 298,000 |
| Average interest rate (LIBOR plus spread) | 6.57 % | 6.57 % |
| Interest expense | \$ 14,693 | \$ 19,591 |
| Land under development | \$ 78,900 | \$ 78,900 |
| Average interest rate (LIBOR plus spread) | 6.42 % | 6.42 % |
| Interest expense capitalized | \$ 3,801 | \$ 5,068 |
| Total interest expense adjustment | \$ 55,800 | \$ 74,401 |

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In addition the amortization of the above market rate loans and the interest expense on the mortgage assumed to be defeased (Note G) resulted in a reduction of interest expense of \$10,993 and \$14,834 for the nine months ended September 30, 2006 and the year ended December 31, 2005.

If market rates of interest on the variable debt changed by 1/8 of 1% variance, then the increase or decrease on the variable debt would be approximately \$0.9 million and \$1.2 million for the nine months ended September 30, 2006 and the year ended December 31, 2005, respectively.

(Q) Represents amortization of deferred financing costs over an average term to maturity of the related debt of approximately 4.6 years.

(R) Represents depreciation adjustment relating to real estate assets acquired from Reckson.

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(S) Represents the general and administrative costs related to senior management and other personnel who may be employed by the Asset Purchasing Venture. Historical amounts for the nine months ended September 30, 2006 and December 31, 2005 include \$7,900 and \$23,500, respectively, related to the special out-performance pool of Reckson's March 2003 long-term incentive compensation plan which is anticipated to be paid.

(T) Represents the elimination of Reckson's minority interest and an adjustment to SL Green's minority interest due to a lower weighted average minority interest resulting from additional common stock SL Green anticipates issuing in connection with the merger.

(U) Represents the number of shares assumed to be issued in connection with the merger (9,040,300 shares). The decrease in earnings per share relates primarily to the additional depreciation from the acquired assets.

(c) EXHIBITS

99.1. Management's Report on Internal Control Over Financial Reporting and Financial Statements of Reckson Associates Realty Corp. as of December 31, 2005 and 2004 and for the three years ended December 31, 2005, 2004 and 2003.

99.2 Financial Statements of Reckson Associates Realty Corp. as of September 30, 2006 and for the three and nine month periods ended September 30, 2006.

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/ Gregory F. Hughes
 Gregory F. Hughes
 Chief Financial Officer

Date: November 28, 2006