

RECKSON ASSOCIATES REALTY CORP
Form 425
November 30, 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 8.01. Other Events

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						