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RECKSON ASSOCIATES REALTY CORP

Form 10-K

March 19, 2002

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-K

Annual Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the fiscal year ended December 31, 2001

OR

Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the transition period from to

Commission File Number 1-13762

RECKSON ASSOCIATES REALTY CORP.

(Exact name of registrant as specified in its charter)

MARYLAND
(State or other jurisdiction of
incorporation or organization)

11-3233650
(I.R.S. Employer
Identification No.)

225 BROADHOLLOW ROAD,
MELVILLE, NY
(Address of principal
executive offices)

11747
(Zip Code)

Registrant's telephone number, including area code: (631) 694-6900

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of Each Exchange on Which Registered
Class A common stock, \$.01 par value	New York Stock Exchange
Class B common stock, \$.01 par value	New York Stock Exchange
Class A preferred stock, \$.01 par value	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the

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Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes [X] No []

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained to the best of the Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K, or any amendment to this Form 10-K. []

The aggregate market value of the shares of Class A common stock and Class B common stock held by non-affiliates was approximately \$1,417 million based on the closing prices on the New York Stock Exchange for such shares on March 14, 2002.

The Company has two classes of common stock, issued at \$.01 par value per share with 50,007,168 and 10,283,513 shares of Class A common stock and Class B common stock outstanding, respectively as of March 14, 2002.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Registrant's Proxy Statement for the Annual Shareholder's Meeting to be held May 23, 2002 are incorporated by reference into Part III.

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PART I

ITEM 1. BUSINESS

GENERAL

Reckson Associates Realty Corp. was incorporated in September 1994 and commenced operations effective with the completion of its initial public offering (the "IPO") on June 2, 1995. Reckson Associates Realty Corp., together with Reckson Operating Partnership, L.P. (the "Operating Partnership"), and their affiliates (collectively, the "Company") were formed for the purpose of continuing the commercial real estate business of Reckson Associates, its affiliated partnerships and other entities ("Reckson"). For more than 40 years, Reckson has been engaged in the business of owning, developing, acquiring, constructing, managing and leasing office and industrial properties in the New York tri-state area (the "Tri-State Area"). Based on industry surveys, management believes that the Company is one of the largest owners and operators of Class A suburban and commercial business district ("CBD") office properties and industrial properties in the Tri-State Area. The Company operates as a fully integrated, self-administered and self-managed real estate investment trust ("REIT"). As of December 31, 2001 the Company owned 182 properties (including 11 joint venture properties) in the Tri-State Area suburban and CBD markets, encompassing approximately 20.6 million rentable square feet, all of which are managed by the Company. These properties include 60 Class A suburban office properties encompassing approximately 8.5 million rentable square feet, of which 42 of these properties or 74% as measured by square footage, are located within the Company's ten office parks. Reckson has historically emphasized the development and acquisition of properties that are part of large-scale suburban office parks. The Company believes that owning properties in planned office and industrial parks provides certain strategic advantages, including the following: (i) certain tenants prefer being located in a park with other high quality companies to enhance their corporate image, (ii) parks afford tenants certain aesthetic amenities such as a common landscaping plan, standardization of signage and common dining and recreational facilities, (iii) tenants may expand (or contract) their business within a park, enabling them to centralize business functions and (iv) a park provides tenants with access to other tenants and may facilitate business relationships between tenants. The properties also include 17 Class A CBD office properties encompassing approximately 5.3 million rentable square feet. The CBD office properties consist of five properties located in New York City, eight properties located in Stamford, CT and four properties located in White Plains, NY. Additionally, the properties include 103 industrial properties encompassing approximately 6.8 million rentable square feet, of which 72 of these properties, or 59% as measured by square footage, are located within the Company's three industrial parks. The properties also include two retail properties comprising approximately 20,000 rentable square feet.

Through its ownership of properties in the key CBD and suburban office markets in the Tri-State Area, the Company believes it has a unique competitive advantage as the trend toward the regional decentralization of the workplace increases. Due to the events of September 11th, as well as technological advances which further enable decentralization, companies are strategically re-evaluating the benefits and feasibility of regional decentralization and reassessing their long-term space needs. The Company believes this multi-location regional decentralization will continue to take place, increasing as companies begin to have better visibility as to the future of the economy, further validating our regional strategy of maintaining a significant

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market share in each of the key CBD and suburban office markets in the Tri-State Area.

The Company also owns approximately 254 acres of land in 12 separate parcels of which the Company can develop approximately two million square feet of office space and approximately 450,000 square feet of industrial space. The Company is also obligated to purchase, during the first quarter of 2002, 52.7 acres of land located in Valhalla, NY on which the Company can develop approximately 875,000 square feet of office space. In addition, the Company owns a 32 acre land parcel located in Rye Brook, NY which is under contract for sale for approximately \$22.3 million. The closing is scheduled to occur during 2002. Since the IPO the Company has developed or redeveloped 14 properties encompassing approximately 2.1 million square feet of office and industrial space.

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The Company also owns a 357,000 square foot office building located in Orlando, Florida and has invested approximately \$17.0 million in a note receivable secured by a partnership interest in Omni Partners, L. P., owner of the Omni, a 575,000 square foot Class A Office Property located in Uniondale, NY, effectively increasing its economic interest in the property owning partnership and \$36.5 million under three notes which are secured by a minority partner's preferred unit interest in the Operating Partnership and certain real property (the "Note Receivable Investments").

During July 1998, the Company formed Metropolitan Partners, LLC ("Metropolitan") for the purpose of acquiring Class A office properties in New York City. Currently the Company owns, through Metropolitan, five Class A office properties aggregating approximately 3.5 million square feet.

During September 2000, the Company formed a joint venture (the "Tri-State JV") with Teachers Insurance and Annuity Association ("TIAA") and contributed eight Class A suburban office properties aggregating approximately 1.5 million square feet to the Tri-State JV for a 51% majority ownership interest. TIAA contributed approximately \$136 million for a 49% interest in the Tri-State JV which was then distributed to the Company. As a result, the Company realized a gain of approximately \$15.2 million. For purposes of its financial statements the Company consolidates this joint venture.

On December 21, 2001, the Company formed a joint venture with the New York State Teachers' Retirement Systems ("NYSTRS") whereby NYSTRS acquired a 49% indirect interest in the property located at 919 Third Avenue, New York, NY for \$220.5 million which included \$122.1 million of its proportionate share of secured mortgage debt and approximately \$98.4 million of cash which was then distributed to the Company. As a result, the Company realized a gain of approximately \$18.9 million. For purposes of its financial statements the Company consolidates this joint venture.

As of December 31, 2001, the Company has invested approximately \$59.8 million in REIT-qualified joint ventures with Reckson Strategic Venture Partners, LLC ("RSVP"), a real estate venture capital fund created as a research and development vehicle for the Company to invest in alternative real estate sectors outside the Company's core office and industrial focus (see Recent Developments-Other Investing Activities).

All of the Company's interests in its properties, the Note Receivable Investments and land are held directly or indirectly by, and all of its operations are conducted through, the Operating Partnership. Reckson Associates Realty Corp. controls the Operating Partnership as the sole general partner and

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as of December 31, 2001, owned approximately 89% of the Operating Partnership's outstanding common units of limited partnership ("OP Units") and Class B common units of limited partnership interest.

The Company seeks to maintain cash reserves for normal repairs, replacements, improvements, working capital and other contingencies. The Company has established an unsecured credit facility (the "Credit Facility") with a maximum borrowing amount of \$575 million scheduled to mature on September 7, 2003. The Credit Facility requires the Company to comply with a number of financial and other covenants on an ongoing basis.

There are numerous commercial properties that compete with the Company in attracting tenants and numerous companies that compete in selecting land for development and properties for acquisition.

In order to protect the Company's ability to qualify as a REIT, ownership of its common stock by any single stockholder is limited to 9%, subject to certain exceptions.

The Company's principal executive offices are located at 225 Broadhollow Road, Melville, New York 11747 and its telephone number at that location is (631) 694-6900. At December 31, 2001, the Company had 311 employees.

RECENT DEVELOPMENTS

Acquisitions, Dispositions and Investing Activities

On October 29, 2001, the Company, at its option, acquired the lessor's rights to the air rights lease agreement for the property located at 120 West 45th Street, New York, NY for approximately \$7.7 million. As a result, the Company's obligation to pay rent under this lease agreement was eliminated.

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On December 21, 2001, Metropolitan sold a 49% indirect interest in the property located at 919 Third Avenue, New York, NY for \$220.5 million which included \$122.1 million of its proportionate share of secured mortgage debt and approximately \$98.4 million of cash. As a result, the Company realized a gain of approximately \$18.9 million.

During the year ended December 31, 2001, the Company sold five office properties aggregating approximately 678,000 square feet for \$82.1 million, a 26,000 square foot industrial property for \$2.8 million and its remaining preferred interest in Keystone Property Trust for \$35.7 million. As a result of these sales the Company realized a net gain of approximately \$1.3 million. Net proceeds from these sales were used primarily to repay borrowings under the Credit Facility and to establish an escrow account with a qualified intermediary for a future exchange of real property pursuant to Section 1031 of the Internal Revenue Code of 1986. The Company has identified approximately 52.7 acres of land located in Valhalla, NY for the purposes of this exchange.

Subsequent to December 31, 2001, the Company entered into a contract to sell two Class A office properties, located in Westchester County, NY, aggregating approximately 157,000 square feet for approximately \$18.5 million. The closing is scheduled to occur during the second quarter of 2002.

Other Investing Activities

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During 1997, the Company formed FrontLine Capital Group, formerly Reckson Service Industries, Inc., ("FrontLine") and RSVP. RSVP is a real estate venture capital fund which invests primarily in real estate and real estate operating companies outside the Company's core office and industrial focus and whose common equity is held indirectly by FrontLine. In connection with the formation and spin-off of FrontLine, the Operating Partnership established an unsecured credit facility with FrontLine (the "FrontLine Facility") in the amount of \$100 million for FrontLine to use in its investment activities, operations and other general corporate purposes. The Company has advanced approximately \$93.4 million under the FrontLine Facility. The Operating Partnership also approved the funding of investments of up to \$100 million relating to RSVP (the "RSVP Commitment"), through RSVP-controlled joint ventures (for REIT-qualified investments) or advances made to FrontLine under an unsecured loan facility (the "RSVP Facility") having terms similar to the FrontLine Facility (advances made under the RSVP Facility and the FrontLine Facility hereafter, the "FrontLine Loans"). During March 2001, the Company increased the RSVP Commitment to \$110 million and as of December 31, 2001, approximately \$109.1 million had been funded through the RSVP Commitment, of which \$59.8 million represents investments by the Company in RSVP-controlled (REIT-qualified) joint ventures and \$49.3 million represents loans made to FrontLine under the RSVP Facility. As of December 31, 2001, interest accrued (net of reserves) under the FrontLine Facility and the RSVP Facility was approximately \$19.6 million.

At June 30, 2001, the Company assessed the recoverability of the FrontLine Loans and reserved approximately \$3.5 million of the interest accrued during the three-month period then ended. In addition, the Company formed a committee of its Board of Directors, comprised solely of independent directors, to consider any actions to be taken by the Company in connection with the FrontLine Loans and its investments in joint ventures with RSVP. During the third quarter of 2001, the Company noted a significant deterioration in FrontLine's operations and financial condition and, based on its assessment of value and recoverability and considering the findings and recommendations of the committee and its financial advisor, the Company recorded a \$163 million valuation reserve charge, inclusive of anticipated costs, in its consolidated statements of operations relating to its investments in the FrontLine Loans and joint ventures with RSVP. The Company has discontinued the accrual of interest income with respect to the FrontLine Loans. The Company has also reserved against its share of GAAP equity in earnings from the RSVP controlled joint ventures funded through the RSVP Commitment until such income is realized through cash distributions.

At December 31, 2001, the Company, pursuant to Section 166 of the Internal Revenue Code of 1986, charged off \$70 million of the aforementioned reserve directly related to the FrontLine Facility, including accrued interest. Subsequent to December 31, 2001, the Company charged off an additional \$38 million of the reserve directly related to the FrontLine Facility, including accrued interest and \$47 million of the reserve directly related to the RSVP Facility, including accrued interest.

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FrontLine is in default under the FrontLine Loans from the Operating Partnership and has reported that it is currently in discussions with its creditors, including the Company, and that it may be required to seek protection from creditors under federal bankruptcy laws.

As a result of the foregoing, the net carrying value of the Company's investments in the FrontLine Loans and joint venture investments with RSVP, inclusive of the Company's share of previously accrued GAAP equity in earnings on those investments, is approximately \$65.0 million. Such amount has been

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reflected in investments in service companies and affiliate loans and joint ventures on the Company's consolidated balance sheet.

Both the FrontLine Facility and the RSVP Facility have a term of five years, are unsecured and advances under each are recourse obligations of FrontLine. Notwithstanding the valuation reserve, under the terms of the credit facilities, interest accrues on the FrontLine Loans at a rate equal to the greater of (a) the prime rate plus two percent and (b) 12% per annum, with the rate on amounts that are outstanding for more than one year increasing annually at a rate of four percent of the prior year's rate. In March 2001, the credit facilities were amended to provide that (i) interest is payable only at maturity and (ii) the Company may transfer all or any portion of its rights or obligations under the credit facilities to its affiliates. The Company requested these changes as a result of changes in REIT tax laws.

The Operating Partnership and FrontLine entered into an intercompany agreement (the "Reckson Intercompany Agreement") to formalize their relationship at the time of the spin-off of FrontLine and to limit conflicts of interest. Under the Reckson Intercompany Agreement, among other provisions, (i) FrontLine granted the Operating Partnership a right of first opportunity to make any REIT-qualified investment that becomes available to FrontLine and (ii) the Operating Partnership granted FrontLine a right to (a) provide the Operating Partnership and its tenants with commercial services for occupants of office, industrial and other property types and (b) become the lessee of any real property acquired by the Operating Partnership if the Operating Partnership determines that, consistent with the Company's status as a REIT, it is required to enter into a "master" lease agreement.

The following table sets forth the Company's invested capital (before valuation reserves) in RSVP controlled (REIT-qualified) joint ventures and amounts which were advanced under the RSVP Commitment to FrontLine, for its investment in RSVP controlled investments (in thousands):

	RSVP CONTROLLED JOINT VENTURES	AMOUNTS ADVANCED	TOTAL
	-----	-----	-----
Privatization	\$21,480	\$ 3,520	\$ 25,000
Student Housing	18,086	3,935	22,021
Medical Offices	20,185	--	20,185
Parking	--	9,091	9,091
Resorts	--	8,057	8,057
Net leased retail	--	3,180	3,180
Other assets and overhead	--	21,598	21,598
	-----	-----	-----
	\$59,751	\$49,381	\$109,132
	=====	=====	=====

Included in these investments is approximately \$18.9 million of cash that has been contributed to the respective RSVP controlled joint ventures or advanced under the RSVP Commitment to FrontLine and is being held, along with cash from the preferred investors.

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Leasing Activity

During the year ended December 31, 2001, the Company executed 276 leases encompassing approximately 2.6 million square feet. The following table summarizes the leasing activity by location and property type:

	NUMBER OF LEASES	LEASED SQUARE FEET	AVERAGE EFFECTIVE RENT (1)
	-----	-----	-----
CBD office properties			
Connecticut	26	148,443	\$ 29.99
New York City	13	101,483	\$ 55.26
Westchester	17	84,780	\$ 24.87
	--	-----	
Subtotal/Weighted average	56	334,706	\$ 36.36
	--	-----	
Suburban office properties			
Long Island	69	471,077	\$ 25.67
New Jersey	28	422,322	\$ 26.14
Westchester	59	443,448	\$ 22.94
	--	-----	
Subtotal/Weighted average	156	1,336,847	\$ 24.91
	---	-----	
Industrial properties			
Long Island	59	814,170	\$ 7.67
New Jersey	4	97,998	\$ 7.74
Westchester	1	8,169	\$ 9.68
	---	-----	
Subtotal/Weighted average	64	920,337	\$ 7.70
	---	-----	
Total	276	2,591,890	
	===	=====	

(1) Base rent adjusted on a straight-line basis for free rent periods, tenant improvements and leasing commissions

Financing Activities

On September 7, 2000, the Company obtained its three year \$575 million unsecured revolving Credit Facility from JPMorgan Chase Bank, as administrative agent, UBS Warburg LLC as syndication agent and Deutsche Bank as documentation agent. The Credit Facility matures in September 2003 and borrowings under the Credit Facility are currently priced off LIBOR plus 105 basis points.

The Company utilizes the Credit Facility primarily to finance real estate investments, fund its real estate development activities and for working capital purposes. At December 31, 2001, the Company had availability under the

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Credit Facility to borrow an additional \$303.4 million (of which, \$37.4 million has been allocated for outstanding undrawn letters of credit). Subsequent to December 31, 2001, the Company paid down the Credit Facility by \$84.6 million which was received from the sale of a 49% interest in the property located at 919 Third Avenue, New York, NY and thereby increasing its availability under the Credit Facility to \$388 million.

On June 1, 2001, the Company refinanced a \$70 million short-term variable rate mortgage note with a five year \$75 million fixed rate mortgage note, which bears interest at 6.52% per annum. In addition, on July 18, 2001, the Company refinanced a \$200 million short-term variable rate mortgage note with a ten year \$250 million fixed rate mortgage note, which bears interest at 6.867% per annum. The net proceeds of approximately \$50.4 million received by the Company as a result of these refinancings was used to repay maturing fixed rate debt, the Credit Facility and for working capital purposes.

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On July 24, 2001, the Company repaid a mortgage note in the amount of approximately \$15.5 million from a portion of the proceeds received from the secured debt financing of the property located at 919 Third Avenue, New York, NY. In addition, during the fourth quarter of 2001, the Company repaid two mortgage notes in the aggregate amount of approximately \$8.8 million through a draw under the Credit Facility and from available cash on hand.

Stock and Other Equity Offerings

During the year ended December 31, 2001, approximately 11,553 preferred units of limited partnership interest in the Operating Partnership, with a liquidation preference value of approximately \$11.6 million, were exchanged for 456,351 OP Units at an average price of \$25.32 per OP Unit. In addition, 660,370 OP Units were exchanged for an equal number of shares of the Company's Class A common stock.

Metropolitan is controlled by the Company. A minority partner owned an \$85 million preferred equity investment in Metropolitan which accrued distributions at a rate of 7.5% per annum for a two-year period (May 24, 1999 through May 30, 2001). On May 31, 2001, the minority partner, at its election, converted its preferred equity investment into 3,453,881 shares of the Company's Class A common stock based on a conversion price of \$24.61 per share. As a result of the minority partner's conversion of their preferred equity investment, the Company owns 100% of Metropolitan.

The Board of Directors of the Company has authorized the purchase of up to an additional five million shares of the Company's Class B common stock and/or its Class A common stock. Transactions conducted on the New York Stock Exchange will be effected in accordance with the safe harbor provisions of the Securities Exchange Act of 1934 and may be terminated by the Company at any time. Previously, the Company purchased and retired 1,410,804 shares of Class B common stock at an average price of \$21.48 per Class B share and 61,704 shares of Class A common stock at an average price of \$23.03 per Class A share for an aggregate purchase price of approximately \$31.7 million.

CORPORATE STRATEGIES AND GROWTH OPPORTUNITIES

The Company's primary business objectives are to maximize current return to stockholders through increases in distributable cash flow per share and to increase stockholders' long-term total return through the appreciation in value

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of its common stock. The Company plans to achieve these objectives by continuing Reckson's corporate strategies and capitalizing on the internal and external growth opportunities as described below.

Corporate Strategies. Management believes that throughout its 40-year operating history, Reckson has created value in its properties through a variety of market cycles by implementing the operating strategies described below. These operating strategies include: (i) a multidisciplinary leasing approach that involves architectural design and construction personnel as well as leasing professionals, (ii) innovative marketing programs that strategically position the Company's properties and distinguish its portfolio from the competition, increase brand equity and gain market-share. These cost-effective, high-yield programs include electronic web-casting, targeted outdoor and print media campaigns and sales promotion that enhances broker relationships and influences tenant retention, (iii) a comprehensive tenant service program and property amenities designed to maximize tenant satisfaction and retention, (iv) cost control management and systems that take advantage of economies of scale that arise from the Company's market position and efficiencies attributable to the state-of-the-art energy control systems at many of the office properties, (v) a fully integrated infrastructure of proprietary and property management accounting systems which encompasses technology advanced systems and tools that provides meaningful information, on a real time basis, throughout the entire organization and (vi) an acquisition and development strategy that is continuously adjusted in light of anticipated changes in market conditions and that seeks to capitalize on management's multidisciplinary expertise and market knowledge to modify, upgrade and reposition a property in its marketplace in order to maximize value.

The Company also intends to adhere to a policy of maintaining a stabilized debt ratio (defined as the total debt of the Company as a percentage of the sum of the Company's total debt and the market value of its equity) of not more than 50%. As of December 31, 2001, the Company's debt ratio was

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approximately 41.1%. This calculation is net of minority partners' proportionate share of joint venture debt and including the Company's share of unconsolidated joint venture debt. This debt ratio is intended to provide the Company with financial flexibility to select the optimal source of capital (whether debt or equity) with which to finance external growth.

Growth Opportunities. The Company intends to achieve its primary business objectives by applying its corporate strategies to the internal and external growth opportunities described below.

Internal Growth. To the extent the Long Island, Westchester, New Jersey and Southern Connecticut suburban office and industrial markets remain stable and begin to recover with new supply management believes the Company is well positioned to benefit from rental revenue growth through: (i) contractual annual compounding of 3-4% Base Rent increases (defined as fixed gross rental amounts that excludes payments on account of real estate taxes, operating expense escalations and base electrical charges) on approximately 85% of existing leases from its Long Island properties, (ii) periodic contractual increases in Base Rent on existing leases from its Westchester properties, the New Jersey properties and the Southern Connecticut properties and (iii) the potential for increases to Base Rents as leases expire and space is re-leased at the higher rents that exist in the current market environment.

During 1999, the Company entered the New York City office market. The New York City office market is currently experiencing favorable supply and demand

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characteristics exceeding those currently in the Company's suburban markets and is also characterized by similar lack of available land supply and other barriers to entry that limit competition. The Company's New York City office buildings offer superior potential for increase in Base Rents as described in (iii) above. Since the formation of the Company's New York City division, it has acquired five Class A office properties aggregating approximately 3.5 million square feet.

External Growth. The Company seeks to acquire multi-tenant Class A office buildings in New York City and the surrounding Tri-State Area core suburban markets as well as industrial properties located in the Tri-State Area. Management believes that the Tri-State Area presents opportunities to acquire or invest in properties at attractive yields. The Company believes that its (i) capital structure, in particular its Credit Facility providing for a maximum borrowing amount of up to \$575 million, (ii) ability to acquire a property for OP Units and thereby defer the seller's income tax on gain, (iii) operating economies of scale, (iv) relationships with financial institutions and private real estate owners, (v) fully integrated operations in its five existing divisions and (vi) its substantial position and franchise in the submarkets in which it owns properties will enhance the Company's ability to identify and capitalize on acquisition opportunities. The Company also intends to selectively develop new Class A suburban and CBD office and industrial properties and to continue to redevelop existing properties as these opportunities arise. The Company will concentrate its development activities on industrial and Class A suburban and CBD office properties within the Tri-State Area. The Company's expansion into the New York City office market has provided it with additional opportunities to acquire interests in properties at attractive yields. The Company also believes that the addition of its New York City division provides additional leasing and operational facilities and enhances its overall franchise value by being the only real estate operating company in the Tri-State Area with significant presence in both Manhattan and each of the surrounding sub-markets.

Through its ownership of properties in the key CBD and suburban office markets in the Tri-State Area, the Company believes it has a unique competitive advantage as the trend toward the regional decentralization of the workplace increases. Due to the events of September 11th, as well as technological advances which further enable decentralization, companies are strategically re-evaluating the benefits and feasibility of regional decentralization and reassessing their long-term space needs. The Company believes this multi-location regional decentralization will continue to take place, increasing as companies begin to have better visibility as to the future of the economy, further validating our regional strategy of maintaining a significant market share in each of the key CBD and suburban office markets in the Tri-State Area.

In addition, when valuations for commercial real estate properties are high, the Company will seek to sell certain properties or interests therein to realize value and profit created. The Company will then

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seek opportunities to reinvest the capital realized from these dispositions back into value-added assets in the Company's core Tri-State Area markets, as well as pursue its stock repurchase program.

ENVIRONMENTAL MATTERS

Under various Federal, state and local laws, ordinances and regulations,

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an owner of real estate is liable for the costs of removal or remediation of certain hazardous or toxic substances on or in such property. These laws often impose such liability without regard to whether the owner knew of, or was responsible for, the presence of such hazardous or toxic substances. The cost of any required remediation and the owner's liability therefore as to any property is generally not limited under such enactments and could exceed the value of the property and/or the aggregate assets of the owner. The presence of such substances, or the failure to properly remediate such substances, may adversely affect the owner's ability to sell or rent such property or to borrow using such property as collateral. Persons who arrange for the disposal or treatment of hazardous or toxic substances may also be liable for the costs of removal or remediation of such substances at a disposal or treatment facility, whether or not such facility is owned or operated by such person. Certain environmental laws govern the removal, encapsulation or disturbance of asbestos-containing materials ("ACMs") when such materials are in poor condition, or in the event of renovation or demolition. Such laws impose liability for release of ACMs into the air and third parties may seek recovery from owners or operators of real properties for personal injury associated with ACMs. In connection with the ownership (direct or indirect), operation, management and development of real properties, the Company may be considered an owner or operator of such properties or as having arranged for the disposal or treatment of hazardous or toxic substances and, therefore, potentially liable for removal or remediation costs, as well as certain other related costs, including governmental fines and injuries to persons and property.

All of the Company's office and industrial properties have been subjected to a Phase I or similar environmental audit after April 1, 1994 (which involved general inspections without soil sampling, ground water analysis or radon testing and, for the Company's properties constructed in 1978 or earlier, survey inspections to ascertain the existence of ACMs were conducted) completed by independent environmental consultant companies (except for 35 Pinelawn Road which was originally developed by Reckson and subjected to a Phase 1 in April 1992). These environmental audits have not revealed any environmental liability that would have a material adverse effect on the Company's business.

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ITEM 2. PROPERTIES

GENERAL

As of December 31, 2001 the Company owned 182 properties (including 11 joint venture properties) in the Tri-State Area suburban and CBD markets, encompassing approximately 20.6 million rentable square feet, all of which are managed by the Company. The properties include 60 Class A suburban office properties encompassing approximately 8.5 million rentable square feet, of which 42 of these properties or 74% as measured by square footage, are located within the Company's ten office parks. Reckson has historically emphasized the development and acquisition of properties that are part of large-scale suburban office parks. The Company believes that owning properties in planned office and industrial parks provides certain strategic advantages, including the following: (i) certain tenants prefer being located in a park with other high quality companies to enhance their corporate image, (ii) parks afford tenants certain aesthetic amenities such as a common landscaping plan, standardization of signage and common dining and recreational facilities, (iii) tenants may expand (or contract) their business within a park, enabling them to centralize business functions and (iv) a park provides tenants with access to other tenants and may facilitate business relationships between tenants. The properties also include 17 Class A CBD office properties encompassing approximately 5.3 million rentable square feet. The CBD office properties

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consist of five properties located in New York City, eight properties located in Stamford, CT and four properties located in White Plains, NY. Additionally, the Company owns 103 industrial properties encompassing approximately 6.8 million rentable square feet, of which 72 of these properties, or 59% as measured by square footage, are located within the Company's three industrial parks. The properties also include two retail properties comprising approximately 20,000 rentable square feet. The Company also owns a 357,000 square foot office property located in Orlando, Florida.

Set forth below is a summary of certain information relating to the Company's properties, categorized by office and industrial properties, as of December 31, 2001.

OFFICE PROPERTIES

General

As of December 31, 2001, the Company owned or had an interest in 60 Class A suburban office properties encompassing approximately 8.5 million square feet and 17 Class A CBD office properties encompassing approximately 5.3 million square feet. As of December 31, 2001, the office properties were approximately 96.1% leased (percent leased excludes properties under development) to approximately 1141 tenants.

The office properties are Class A office buildings and are well-located, well-maintained and professionally managed. In addition, these properties are modern with high finishes and achieve among the highest rent, occupancy and tenant retention rates within their sub-markets. Forty two of the 60 suburban office properties are located within the Company's ten office parks. The buildings in these office parks offer a full array of amenities including health clubs, racquetball courts, sun decks, restaurants, computer controlled HVAC access systems and conference centers. Management believes that the location, quality of construction and amenities as well as the Company's reputation for providing a high level of tenant service have enabled the Company to attract and retain a national tenant base. The office tenants include national service companies, such as telecommunications firms, "Big Five" accounting firms, securities brokerage houses, insurance companies and health care providers. The 17 Class A CBD office properties consist of five properties located in New York City, eight properties located in Stamford, CT and four properties located in White Plains, NY.

The office properties are leased to both national and local tenants. Leases on the office properties are typically written for terms ranging from five to ten years and require: (i) payment of a fixed gross rental amount that excludes payments on account of real estate tax, operating expense escalations and base electrical charges ("Base Rent"), (ii) payment of a base electrical charge, (iii) payment of real estate tax escalations over a base year, (iv) payment of compounded annual increases to Base Rent and/or payment of operating expense escalations over a base year, (v) payment of overtime HVAC and electric

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and (vi) payment of electric escalations over a base year. In virtually all leases, the landlord is responsible for structural repairs. Renewal provisions typically provide for renewal rates at market rates or a percentage thereof, provided that such rates are not less than the most recent renewal rates.

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The following table sets forth certain information as of December 31, 2001 for each of the office properties.

PROPERTY	PERCENTAGE OWNERSHIP	OWNERSHIP INTEREST (GROUND LEASE EXPIRATION DATE) (1)	YEAR CONSTRUCTED	LAND AREA (ACRES)
Suburban Office Properties:				
Huntington Melville Corporate Center, Melville, NY				
		Leasehold		
395 North Service Rd	100%	(2,081)	1988	7.5
200 Broadhollow Rd	100%	Fee	1981	4.6
48 South Service Rd	100%	Fee	1986	7.3
35 Pinelawn Rd	100%	Fee	1980	6.0
275 Broadhollow Rd	51%	Fee	1970	5.8
58 South Service Rd (3)	100%	Fee	2000	16.5
1305 Old Walt Whitman Rd	51%	Fee	1998 (5)	18.1
Total--Huntington Melville Corporate Center (4)				65.8
North Shore Atrium, Syosset, NY				
6800 Jericho Turnpike (North Shore Atrium I)	100%	Fee	1977	13.0
6900 Jericho Turnpike (North Shore Atrium II)	100%	Fee	1982	5.0
Total--North Shore Atrium				18.0
Nassau West Corporate Center, Mitchel Field, NY				
50 Charles Lindbergh Blvd. (Nassau West Corporate Center II)	100%	Leasehold (2,082)	1984	9.1
60 Charles Lindbergh Blvd. (Nassau West Corporate Center I)	100%	Leasehold (2,082)	1989	7.8
51 Charles Lindbergh Blvd	100%	Leasehold (2,084)	1989	6.6
55 Charles Lindbergh Blvd.	100%	Leasehold (2,082)	1982	10.0
333 Earl Ovington Blvd. (The Omni)	60%	Leasehold (2,088)	1991	30.6
90 Merrick Ave	51%	Leasehold (2,084)	1985	13.2
Total--Nassau West Corporate Center				77.3
Tarrytown Corporate Center Tarrytown, NY				
505 White Plains Road	100%	Fee	1974	1.4
520 White Plains Road	60%	Fee (6)	1981	6.8
555 White Plains Road	100%	Fee	1972	4.2
560 White Plains Road	100%	Fee	1980	4.0
580 White Plains Road	100%	Fee	1977	6.1
660 White Plains Road	100%	Fee	1983	10.9

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Total--Tarrytown Corporate Center					33.4

Reckson Executive Park					
Rye Brook, NY					
1 International Dr	100%	Fee	1983		N/A
2 International Dr	100%	Fee	1983		N/A
3 International Dr	100%	Fee	1983		N/A
4 International Dr.	100%	Fee	1986		N/A
5 International Dr.	100%	Fee	1986		N/A
6 International Dr.	100%	Fee	1986		N/A
Total--Reckson Executive Park					44.4

Summit at Valhalla Valhalla, NY					
100 Summit Dr.	100%	Fee	1988		11.3
200 Summit Dr.	100%	Fee	1990		18.0
500 Summit Dr.	100%	Fee	1986		29.1
Total--Summit at Valhalla					58.4

Mt. Pleasant Corporate Center					
115/117 Stevens Ave.	100%	Fee	1984		5.0

PROPERTY	NUMBER OF FLOORS	RENTABLE SQUARE FEET	PERCENT LEASED	ANNUAL BASE RENT (2)	ANNUAL BASE RENT PER LEASED SQ. FT.
-----	-----	-----	-----	-----	-----
Suburban Office Properties:					
Huntington Melville Corporate Center, Melville, NY					
395 North Service Rd	4	187,393	100.0%	\$ 5,290,551	\$ 28.24
200 Broadhollow Rd	4	67,432	99.9%	\$ 1,740,394	\$ 25.84
48 South Service Rd	4	125,372	97.9%	\$ 3,376,836	\$ 27.51
35 Pinelawn Rd	2	105,241	99.9%	\$ 2,501,409	\$ 23.80
275 Broadhollow Rd	4	126,250	100.0%	\$ 3,249,912	\$ 25.74
58 South Service Rd (3)	4	277,500	36.1%	\$ 3,221,317	\$ 37.13
1305 Old Walt Whitman Rd	3	164,166	100.0%	\$ 4,333,478	\$ 26.40
Total--Huntington Melville Corporate Center (4)		1,053,354	99.6%	\$23,713,897	\$ 27.16

North Shore Atrium, Syosset, NY					
6800 Jericho Turnpike (North Shore Atrium I)	2	209,028	95.3%	\$ 4,384,109	\$ 22.01
6900 Jericho Turnpike (North Shore Atrium II)	4	95,149	100.0%	\$ 2,322,699	\$ 25.88
Total--North Shore Atrium		304,177	96.8%	\$ 6,706,808	\$ 22.78

Nassau West Corporate Center, Mitchel Field, NY					

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50 Charles Lindbergh Blvd. (Nassau West Corporate Center II)	6	211,845	95.4%	\$ 5,132,201	\$ 25.40
60 Charles Lindbergh Blvd. (Nassau West Corporate Center I)	2	195,998	100.0%	\$ 4,739,146	\$ 24.19
51 Charles Lindbergh Blvd	1	108,000	100.0%	\$ 2,389,432	\$ 22.12
55 Charles Lindbergh Blvd.	2	214,581	100.0%	\$ 2,680,134	\$ 12.49
333 Earl Ovington Blvd. (The Omni)	10	575,000	93.3%	\$17,328,627	\$ 32.30
90 Merrick Ave	9	225,597	100.0%	\$ 6,097,485	\$ 31.01
		-----		-----	
Total--Nassau West Corporate Center		1,531,021	96.8%	\$38,367,025	\$ 25.89
		-----		-----	
Tarrytown Corporate Center Tarrytown, NY					
505 White Plains Road	2	26,468	94.3%	\$ 516,036	\$ 21.40
520 White Plains Road	6	171,761	100.0%	\$ 3,723,762	\$ 21.68
555 White Plains Road	5	121,585	78.2%	\$ 2,382,006	\$ 25.04
560 White Plains Road	6	126,471	80.5%	\$ 2,332,941	\$ 24.93
580 White Plains Road	6	170,726	99.3%	\$ 4,020,506	\$ 23.73
660 White Plains Road	6	258,715	94.1%	\$ 5,035,392	\$ 21.03
		-----		-----	
Total--Tarrytown Corporate Center		875,726	92.1%	\$18,010,643	\$ 22.33
		-----		-----	
Reckson Executive Park Rye Brook, NY					
1 International Dr	3	90,000	100.0%	\$ 1,237,500	\$ 13.75
2 International Dr	3	90,000	100.0%	\$ 1,237,500	\$ 13.75
3 International Dr	3	91,174	100.0%	\$ 2,072,372	\$ 24.37
4 International Dr.	3	86,694	89.3%	\$ 2,067,378	\$ 25.71
5 International Dr.	3	90,000	100.0%	\$ 2,242,500	\$ 24.42
6 International Dr.	3	94,016	100.0%	\$ 975,777	\$ 10.38
		-----		-----	
Total--Reckson Executive Park		541,884	98.8%	\$ 9,833,027	\$ 18.37
		-----		-----	
Summit at Valhalla Valhalla, NY					
100 Summit Dr.	4	249,551	95.7%	\$ 5,499,974	\$ 24.32
200 Summit Dr.	4	240,834	89.7%	\$ 4,265,547	\$ 19.56
500 Summit Dr.	4	208,660	100.0%	\$ 5,216,500	\$ 25.00
		-----		-----	
Total--Summit at Valhalla		699,045	93.4%	\$14,982,021	\$ 22.95
		-----		-----	
Mt. Pleasant Corporate Center					
115/117 Stevens Ave.	3	162,004	98.3%	\$ 2,814,281	\$ 17.67
		-----		-----	

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PROPERTY	PERCENTAGE OWNERSHIP	OWNERSHIP INTEREST (GROUND LEASE EXPIRATION DATE)	YEAR CONSTRUCTED	LAND AREA (ACRES)
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Total--Mt Pleasant Corporate Center				5.0

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Stand-alone Long Island Properties					-----
400 Garden City Plaza					
Garden City, NY	51%	Fee	1989	5.7	
88 Duryea Rd.					
Melville, NY	100%	Fee	1986	1.5	
310 East Shore Rd.					
Great Neck, NY	100%	Fee	1981	1.5	
333 East Shore Rd.					
Great Neck, NY	100%	Leasehold (2,030)	1976	1.5	
520 Broadhollow Rd					
Melville, NY	100%	Fee	1978	7.0	
1660 Walt Whitman Rd.					
Melville, NY	100%	Fee	1980	6.5	
150 Motor Parkway					
Hauppauge, NY	100%	Fee	1984	11.3	
120 Mineola Blvd					
Mineola, NY	100%	Fee	1989	0.7	
538 Broadhollow Road					
Melville, NY	100%	Fee	1986	7.5	
50 Marcus Drive,					
Melville, NY	100%	Fee	2000	12.9	
Total--Stand-alone Long Island				56.1	-----
Stand-alone Westchester Properties					
120 White Plains Rd.					
Tarrytown, NY	51%	Fee	1984	9.7	
80 Grasslands					
Elmsford, NY	100%	Fee	1989	4.9	
Total--Stand-alone Westchester Properties				14.6	-----
Executive Hill Office Park					
West Orange, NJ					
100 Executive Dr	100%	Fee	1978	10.1	
200 Executive Dr	100%	Fee	1980	8.2	
300 Executive Dr	100%	Fee	1984	8.7	
10 Rooney Circle	100%	Fee	1971	5.2	
Total--Executive Hill Office Park				32.2	-----
University Square					
Princeton, NJ					
100 Campus Dr.	100%	Fee	1987	N/A	
104 Campus Dr.	100%	Fee	1987	N/A	
115 Campus Dr.	100%	Fee	1987	N/A	
Total--University Square				11.0	-----
Short Hills Office Complex					
Short Hills, NJ					
101 John F. Kennedy Parkway	100%	Fee	1981	9.0	
103 John F. Kennedy Parkway (3)	100%	Fee	1981	6.0	
51 John F Kennedy Parkway	51%	Fee	1988	11.0	
Total--Short Hills Office (4)				26.0	-----
Stand-alone New Jersey Properties					
99 Cherry Hill Road					

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Parsippany, NJ	100%	Fee	1982	8.8
119 Cherry Hill Road				
Parsippany, NJ	100%	Fee	1982	9.3
One Eagle Rock				
Hanover, NJ	100%	Fee	1986	10.4
3 University Plaza				
Hackensack, NJ	100%	Fee	1985	10.6
1255 Broad Street				
Clifton, NJ	100%	Fee	1968	11.1
492 River Rd,				
Nutley, NJ	100%	Fee	1952	17.3

Total--Stand-alone New Jersey				
Properties				67.5

Total--Suburban Office Properties (4)				509.7

PROPERTY	NUMBER OF FLOORS	RENTABLE SQUARE FEET	PERCENT LEASED	ANNUAL BASE RENT (2)	AN B R P LE SQ.
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Total--Mt Pleasant Corporate Center		162,004	98.3%	\$ 2,814,281	\$ 1
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Stand-alone Long Island Properties					
400 Garden City Plaza					
Garden City, NY	5	176,073	99.0%	\$ 4,331,760	\$ 2
88 Duryea Rd.					
Melville, NY	2	25,061	95.3%	\$ 514,134	\$ 2
310 East Shore Rd.					
Great Neck, NY	4	50,000	94.3%	\$ 1,116,541	\$ 2
333 East Shore Rd.					
Great Neck, NY	2	17,715	99.6%	\$ 386,981	\$ 2
520 Broadhollow Rd					
Melville, NY	1	85,784	100.0%	\$ 1,751,132	\$ 2
1660 Walt Whitman Rd.					
Melville, NY	1	73,115	74.9%	\$ 1,052,950	\$ 1
150 Motor Parkway					
Hauppauge, NY	4	191,447	85.8%	\$ 3,997,164	\$ 2
120 Mineola Blvd					
Mineola, NY	6	101,000	91.8%	\$ 2,452,486	\$ 2
538 Broadhollow Road					
Melville, NY	4	180,339	86.2%	\$ 3,972,297	\$ 2
50 Marcus Drive,					
Melville, NY	2	163,762	100.0%	\$ 1,852,302	\$ 1
		-----		-----	
Total--Stand-alone Long Island		1,064,296	92.0%	\$ 21,427,747	\$ 2
		-----		-----	
Stand-alone Westchester					
Properties					
120 White Plains Rd.					
Tarrytown, NY	6	197,785	97.0%	\$ 4,825,559	\$ 2
80 Grasslands					

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Elmsford, NY	3	87,114	100.0%	\$ 1,861,347	\$ 2

Total--Stand-alone Westchester Properties		284,899	97.9%	\$ 6,686,906	\$ 2

Executive Hill Office Park West Orange, NJ					
100 Executive Dr	3	92,872	89.6%	\$ 1,565,149	\$ 1
200 Executive Dr	4	102,630	97.4%	\$ 2,187,825	\$ 2
300 Executive Dr	4	126,196	84.9%	\$ 2,230,592	\$ 2
10 Rooney Circle	3	69,684	100.0%	\$ 1,079,135	\$ 1

Total--Executive Hill Office Park		391,382	92.0%	\$ 7,062,701	\$ 1

University Square Princeton, NJ					
100 Campus Dr.	1	27,888	100.0%	\$ 648,433	\$ 2
104 Campus Dr.	1	70,239	100.0%	\$ 1,663,171	\$ 2
115 Campus Dr.	1	33,600	100.0%	\$ 699,039	\$ 2

Total--University Square		131,727	100.0%	\$ 3,010,643	\$ 2

Short Hills Office Complex Short Hills, NJ					
101 John F. Kennedy Parkway	6	195,000	100.0%	\$ 5,908,500	\$ 3
103 John F. Kennedy Parkway (3)	4	129,508	0.0%	\$ 0	\$
51 John F Kennedy Parkway	5	250,642	100.0%	\$ 8,790,239	\$ 3

Total--Short Hills Office (4)		575,150	100.0%	\$ 14,698,739	\$ 3

Stand-alone New Jersey Properties					
99 Cherry Hill Road					
Parsippany, NJ	3	93,250	72.4%	\$ 1,318,140	\$ 1
119 Cherry Hill Road					
Parsippany, NJ	3	95,724	96.4%	\$ 1,902,254	\$ 2
One Eagle Rock					
Hanover, NJ	3	142,438	100.0%	\$ 3,253,993	\$ 2
3 University Plaza					
Hackensack, NJ	6	217,008	100.0%	\$ 4,815,746	\$ 2
1255 Broad Street					
Clifton, NJ	2	193,574	100.0%	\$ 4,259,924	\$ 2
492 River Rd,					
Nutley, NJ	13	130,009	100.0%	\$ 2,177,651	\$ 1

Total--Stand-alone New Jersey Properties		872,003	96.7%	\$ 17,727,708	\$ 2

Total--Suburban Office Properties (4)		8,486,668	95.8%	\$185,042,146	\$ 2

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PERCENTAGE	OWNERSHIP INTEREST (GROUND LEASE EXPIRATION	YEAR	LAND AREA
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PROPERTY	OWNERSHIP	DATE) (1)	CONSTRUCTED	(ACRES)
CBD Office Properties:				
Landmark Square				
Stamford, CT				
One Landmark Square	100%	Fee	1973	N/A
Two Landmark Square	100%	Fee	1976	N/A
Three Landmark Square	100%	Fee	1978	N/A
Four Landmark Square	100%	Fee	1977	N/A
Five Landmark Square	100%	Fee	1976	N/A
Six Landmark Square	100%	Fee	1984	N/A
Total--Landmark Square				7.2
Stamford Towers				
Stamford, CT				
680 Washington Blvd.	51%	Fee	1989	1.3
750 Washington Blvd.	51%	Fee	1989	2.4
Total--Stamford Towers				3.7
Stand-alone Westchester				
Properties				
235 Main Street,				
White Plains, NY	100%	Fee	1974 (5)	0.4
245 Main Street				
White Plains, NY	100%	Fee	1983	0.4
360 Hamilton Avenue				
White Plains, NY	100%	Fee	1977	1.5
140 Grand Street				
White Plains, NY	100%	Fee	1991	2.2
Total--Stand-alone Westchester				4.5
Properties				
New York City Properties				
120 W. 45th Street				
New York, NY	100%	Fee	1989	0.4
100 Wall Street				
New York, NY	100%	Fee	1969	0.5
810 Seventh Avenue				
New York, NY	100%	Fee	1970	0.6
919 Third Avenue				
New York, NY	51%	Fee (7)	1971	1.5
1350 Avenue of the Americas				
New York, NY	100%	Fee	1966	0.6
Total--New York City Office				3.6
Properties				
Total--CBD Office Properties				19.0
Total--Office Properties (4)				528.7

ANNUAL
BASE
RENT

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PROPERTY	NUMBER OF FLOORS	RENTABLE SQUARE FEET	PERCENT LEASED	ANNUAL BASE RENT (2)	PER LEASED SQ. FT.	TOTAL LEASED SQ. FT.
CBD Office Properties:						
Landmark Square Stamford, CT						
One Landmark Square	22	296,716	88.0%	\$ 6,853,319	\$ 26.40	
Two Landmark Square	3	39,701	84.7%	\$ 750,814	\$ 23.33	
Three Landmark Square	6	128,286	94.7%	\$ 2,835,161	\$ 23.34	
Four Landmark Square	5	104,446	92.2%	\$ 2,184,130	\$ 23.44	
Five Landmark Square	3	58,000	100.0%	\$ 304,222	\$ 5.25	
Six Landmark Square	10	171,899	97.4%	\$ 3,983,225	\$ 23.80	
Total--Landmark Square		799,048	92.3%	\$ 16,910,871	\$ 22.93	
Stamford Towers Stamford, CT						
680 Washington Blvd.	11	132,759	99.5%	\$ 3,914,298	\$ 29.64	
750 Washington Blvd.	11	192,108	99.6%	\$ 4,732,157	\$ 24.74	
Total--Stamford Towers		324,867	99.5%	\$ 8,646,455	\$ 24.59	
Stand-alone Westchester Properties						
235 Main Street, White Plains, NY	6	83,237	93.3%	\$ 1,568,248	\$ 20.81	
245 Main Street White Plains, NY	6	73,543	87.4%	\$ 1,349,526	\$ 21.00	
360 Hamilton Avenue White Plains, NY	12	382,000	99.3%	\$ 9,888,592	\$ 26.80	
140 Grand Street White Plains, NY	9	130,136	93.0%	\$ 2,984,619	\$ 24.66	
Total--Stand-alone Westchester Properties		668,916	96.0%	\$ 15,790,985	\$ 24.57	
New York City Properties						
120 W. 45th Street New York, NY	40	443,109	89.4%	\$ 15,893,044	\$ 40.21	
100 Wall Street New York, NY	29	466,226	96.2%	\$ 14,351,760	\$ 32.01	
810 Seventh Avenue New York, NY	42	692,060	97.6%	\$ 23,523,107	\$ 34.82	
919 Third Avenue New York, NY	47	1,356,115	99.5%	\$ 52,773,806	\$ 39.60	
1350 Avenue of the Americas New York, NY	35	540,000	96.3%	\$ 18,359,230	\$ 35.42	
Total--New York City Office Properties		3,497,510	96.9%	\$124,900,947	\$ 36.71	
Total--CBD Office Properties		5,290,341	96.3%	\$166,249,258	\$ 32.63	
Total--Office Properties (4)		13,777,009	96.1%	\$351,291,404	\$ 27.34	1

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- (1) Ground lease expirations assume exercise of renewal options by the lessee.
 - (2) Represents Base Rent, net of electric reimbursement, of signed leases at December 31, 2001 adjusted for scheduled contractual increases during the 12 months ending December 31, 2002. Total Base Rent for these purposes reflects the effect of any lease expirations that occur during the 12-month period ending December 31, 2002. Amounts included in rental revenue for financial reporting purposes have been determined on a straight-line basis rather than on the basis of contractual rent as set forth in the foregoing table.
 - (3) Property is currently under development.
 - (4) Percent leased and annual base rent per leased square foot excludes properties under development.
 - (5) Year renovated.
 - (6) The actual fee interest in is held by the County of Westchester Industrial Development Agency. The fee interest in 520 White Plains Road may be acquired if the outstanding principal under certain loan agreements and annual basic installments are prepaid in full.
 - (7) There is a ground lease in place on a small portion of the land which expires in 2066.

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INDUSTRIAL PROPERTIES

General

As of December 31, 2001, the Company owned or had an interest in 103 industrial properties that encompass approximately 6.8 million rentable square feet. As of December 31, 2001, the industrial properties were approximately 91.7% leased (percentage leased excludes properties under development) to approximately 238 tenants. Many of the industrial properties have been constructed with high ceiling heights (i.e., above 18 feet), upscale office building facades, parking in excess of zoning requirements, drive-in and/or loading dock facilities and other features which permit them to be leased for industrial and/or office purposes.

The industrial properties are leased to both national and local tenants. These tenants utilize the industrial properties for distribution, warehousing, research and development and light manufacturing/assembly activities. Leases on the industrial properties are typically written for terms ranging from three to seven years and require: (i) payment of a Base Rent, (ii) payments of real estate tax escalations over a base year, (iii) payments of compounded annual increases to Base Rent and (iv) reimbursement of all operating expenses. Electric costs are generally borne and paid directly by the tenant. Certain leases are "triple net" (i.e., the tenant is required to pay in addition to annual Base Rent, all operating expenses and real estate taxes). In virtually all of the industrial leases, the landlord is responsible for structural repairs. Renewal provisions typically provide for renewal rents at market rates, provided that such rates are not less than the most recent rental rates.

Approximately 87%, as measured by square footage, of the industrial properties, are located on Long Island. Sixty eight percent of these properties, as measured by square footage, are located in the following three industrial parks developed by Reckson: (i) Vanderbilt Industrial Park, (ii) Airport International Plaza and (iii) County Line Industrial Center.

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In addition to the industrial properties on Long Island, the Company owns eight industrial properties encompassing approximately 917,000 square feet in the other suburban markets.

The following table sets forth certain information as of December 31, 2001 for each of the industrial properties.

PROPERTY	PERCENTAGE OWNERSHIP	OWNERSHIP INTEREST (GROUND LEASE EXPIRATION DATE)		YEAR CONSTRUCTED	LAND AREA (ACRES)	CLEARANCE HEIGHT (FEET) (1)
		LEASE	EXPIRATION DATE)			
Industrial Properties:						
Vanderbilt Industrial Park						
Hauppauge, NY						
360 Vanderbilt Motor Parkway						
	100%	Fee		1967	4.2	16
410 Vanderbilt Motor Parkway						
	100%	Fee		1965	3.0	15
595 Old Willets Path						
	100%	Fee		1968	3.5	14
611 Old Willets Path						
	100%	Fee		1963	3.0	14
631/641 Old Willets Path						
	100%	Fee		1965	1.9	14
651/661 Old Willets Path						
	100%	Fee		1966	2.0	14
681 Old Willets Path						
	100%	Fee		1961	1.3	14
740 Old Willets Path						
	100%	Fee		1965	3.5	14
325 Rabro Dr.						
	100%	Fee		1967	2.7	14
250 Kennedy Dr.						
	100%	Fee		1979	7.0	16
90 Plant Ave.						
	100%	Fee		1972	4.3	16
110 Plant Ave.						
	100%	Fee		1974	6.8	18
55 Engineers Rd.						
	100%	Fee		1968	3.0	18
65 Engineers Rd.						
	100%	Fee		1969	1.8	22
85 Engineers Rd.						
	100%	Fee		1968	2.3	18
100 Engineers Rd.						
	100%	Fee		1968	5.0	14
150 Engineers Rd.						
	100%	Fee		1969	6.8	22
20 Oser Ave.						
	100%	Fee		1979	5.0	16
30 Oser Ave.						
	100%	Fee		1978	4.4	16
40 Oser Ave.						
	100%	Fee		1974	3.1	16
50 Oser Ave.						
	100%	Fee		1975	4.1	21
60 Oser Ave.						
	100%	Fee		1975	3.3	21
63 Oser Ave.						
	100%	Fee		1974	1.2	20
65 Oser Ave.						
	100%	Fee		1975	1.2	18
73 Oser Ave.						
	100%	Fee		1974	1.2	20
80 Oser Ave.						
	100%	Fee		1974	1.1	18

PROPERTY	PERCENTAGE OFFICE/ RESEARCH AND DEVELOPMENT FINISH	RENTABLE SQUARE FEET	PERCENT LEASED	ANNUAL BASE RENT (2)	ANNUAL BASE RENT PER SQ. FT.	ANNUAL LEASED SQ. FT.	NUMBER OF TENANTS LEAS
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Industrial Properties:

Vanderbilt Industrial Park
Hauppauge, NY

Property Address	Percentage	Area	Ownership	Value	Price	Other
360 Vanderbilt Motor Parkway	62%	54,000	100.0%	\$285,255	\$ 5.28	1
410 Vanderbilt Motor Parkway	7%	41,784	100.0%	\$266,688	\$ 6.38	4
595 Old Willets Path	14%	31,670	81.7%	\$162,043	\$ 6.26	3
611 Old Willets Path	11%	20,000	50.0%	\$ 43,810	\$ 4.39	1
631/641 Old Willets Path	31%	25,000	100.0%	\$125,868	\$ 5.03	4
651/661 Old Willets Path	45%	25,000	100.0%	\$163,755	\$ 6.55	7
681 Old Willets Path	10%	15,000	100.0%	\$106,511	\$ 7.10	1
740 Old Willets Path	5%	30,000	100.0%	\$ 29,670	\$ 0.99	1
325 Rabro Dr.	10%	35,473	100.0%	\$147,374	\$ 4.15	2
250 Kennedy Dr.	9%	127,980	100.0%	\$455,298	\$ 3.56	1
90 Plant Ave.	13%	74,915	100.0%	\$448,325	\$ 5.98	3
110 Plant Ave.	8%	125,000	0.0%	\$ 0	\$ 0.00	0
55 Engineers Rd.	8%	36,000	100.0%	\$362,434	\$ 10.07	1
65 Engineers Rd.	10%	23,000	100.0%	\$155,729	\$ 6.77	1
85 Engineers Rd.	5%	40,800	100.0%	\$119,988	\$ 2.94	2
100 Engineers Rd.	11%	88,000	0.0%	\$ 0	\$ 0.00	0
150 Engineers Rd.	11%	135,000	100.0%	\$424,195	\$ 3.14	1
20 Oser Ave.	18%	42,000	98.7%	\$377,060	\$ 9.10	2
30 Oser Ave.	21%	42,000	82.1%	\$252,082	\$ 7.31	4
40 Oser Ave.	33%	59,800	100.0%	\$402,543	\$ 6.73	13
50 Oser Ave.	15%	60,000	100.0%	\$246,000	\$ 4.10	1
60 Oser Ave.	19%	48,000	100.0%	\$196,800	\$ 4.10	1
63 Oser Ave.	9%	22,000	0.0%	\$ 0	\$ 0.00	0
65 Oser Ave.	10%	20,000	100.0%	\$111,673	\$ 5.58	1
73 Oser Ave.	15%	20,000	100.0%	\$134,493	\$ 6.72	1
80 Oser Ave.	25%	19,500	100.0%	\$ 70,525	\$ 3.62	1

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PROPERTY	PERCENTAGE OWNERSHIP	OWNERSHIP INTEREST (GROUND LEASE EXPIRATION DATE)		YEAR CONSTRUCTED	LAND AREA (ACRES)	CLEARANCE HEIGHT (FEET) (1)
		LEASE EXPIRATION DATE)	YEAR CONSTRUCTED			
85 Nicon Ct.	100%	Fee	1978		6.1	30
90 Oser Ave.	100%	Fee	1973		1.1	16
104 Parkway Dr.	100%	Fee	1985		1.8	15
110 Ricefield Ln.	100%	Fee	1980		2.0	15
120 Ricefield Ln.	100%	Fee	1983		2.0	15
125 Ricefield Ln.	100%	Fee	1973		2.0	14
135 Ricefield Ln.	100%	Fee	1981		2.1	15
85 Adams Dr.	100%	Fee	1980		1.8	15
395 Oser Ave.	100%	Fee	1980		6.1	14
185 Oser Ave.	100%	Fee	1974		2.0	18
25 Davids Dr.	100%	Fee	1975		3.2	20
45 Adams Ave.	100%	Fee	1979		2.1	18
225 Oser Ave.	100%	Fee	1977		1.2	14

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180 Oser Ave.	100%	Fee	1978	3.4	16
360 Oser Ave.	100%	Fee	1981	1.3	18
400 Oser Ave.	100%	Fee	1982	9.5	16
375 Oser Ave.	100%	Fee	1981	1.2	18
425 Rabro Drive	100%	Fee	1980	4.0	16
390 Motor Parkway	100%	Fee	1980	10.0	14
400 Moreland Road(3)	100%	Fee	1967	6.3	17
600 Old Willets Path	100%	Fee	1965	4.5	14

Total-Vanderbilt Industrial Park(4)				160.4	

Airport International Plaza Islip, NY					
20 Orville Dr.	100%	Fee	1978	1.0	16
25 Orville Dr.	100%	Fee	1970	2.2	16
50 Orville Dr.	100%	Fee	1976	1.6	15
65 Orville Dr.	100%	Fee	1971	2.2	14
70 Orville Dr.	100%	Fee	1975	2.3	22
80 Orville Dr.	100%	Fee	1988	6.5	16
85 Orville Dr.	100%	Fee	1974	1.9	14
95 Orville Dr.	100%	Fee	1974	1.8	14
110 Orville Dr.	100%	Fee	1979	6.4	24
180 Orville Dr.	100%	Fee	1982	2.3	16
1101 Lakeland Ave.	100%	Fee	1983	4.9	20
1385 Lakeland Ave.	100%	Fee	1973	2.4	16
125 Wilbur Place	100%	Fee	1977	4.0	16
140 Wilbur Place	100%	Fee	1973	3.1	20
160 Wilbur Place	100%	Fee	1978	3.9	16
170 Wilbur Place	100%	Fee	1979	4.9	16
4040 Veterans Highway	100%	Fee	1972	1.0	14
120 Wilbur Place	100%	Fee	1972	2.8	16
2002 Orville Drive North	100%	Fee	2000	15.8	24
2004 Orville Drive North	100%	Fee	1998	7.4	24
2005 Orville Drive North	100%	Fee	1999	8.7	24

Total-Airport International Plaza				87.1	

County Line Industrial Center Melville, NY					
5 Hub Dr.	100%	Fee	1979	6.9	20
10 Hub Dr.	100%	Fee	1975	6.6	20
30 Hub Drive	100%	Fee	1976	5.1	20
265 Spagnoli Rd.	100%	Fee	1978	6.0	20

Total-County Line Industrial Center				24.6	

Standalone Long Island Properties Islip/Islandia					
32 Windsor Pl.					
Islip, NY	100%	Fee	1971	2.5	18
42 Windsor Pl.					
Islip, NY	100%	Fee	1972	2.4	18
208 Blydenburgh Rd.					
Islandia, NY	100%	Fee	1969	2.4	14
210 Blydenburgh Rd.					
Islandia, NY	100%	Fee	1969	1.2	14
71 Hoffman Ln.					

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Islandia, NY	100%	Fee	1970	5.8	16
135 Fell Ct.					
Islip, NY	100%	Fee	1965	3.2	16

Subtotal Islip/Islandia				17.5	

PROPERTY	PERCENTAGE OFFICE/ RESEARCH AND DEVELOPMENT FINISH	RENTABLE SQUARE FEET	PERCENT LEASED	ANNUAL BASE RENT (2)	ANNUAL BASE RENT PER LEASED SQ. FT.
-----	-----	-----	-----	-----	-----
85 Nikon Ct.	10%	104,000	100.0%	\$ 566,714	\$ 5.45
90 Oser Ave.	26%	37,500	100.0%	\$ 136,875	\$ 3.65
104 Parkway Dr.	50%	27,600	100.0%	\$ 106,536	\$ 3.86
110 Ricefield Ln.	25%	32,264	100.0%	\$ 172,038	\$ 5.33
120 Ricefield Ln.	24%	33,100	100.0%	\$ 187,360	\$ 5.66
125 Ricefield Ln.	20%	30,495	100.0%	\$ 213,524	\$ 7.00
135 Ricefield Ln.	10%	32,340	100.0%	\$ 215,685	\$ 6.67
85 Adams Dr.	90%	20,000	100.0%	\$ 280,000	\$ 14.00
395 Oser Ave.	100%	50,000	99.0%	\$ 452,925	\$ 9.15
185 Oser Ave.	40%	30,000	100.0%	\$ 195,250	\$ 6.51
25 Davids Dr.	90%	40,000	100.0%	\$ 340,000	\$ 8.50
45 Adams Ave.	90%	28,000	100.0%	\$ 245,000	\$ 8.75
225 Oser Ave.	80%	10,000	99.6%	\$ 116,175	\$ 11.67
180 Oser Ave.	35%	61,264	100.0%	\$ 491,344	\$ 8.02
360 Oser Ave.	35%	23,000	100.0%	\$ 135,777	\$ 5.90
400 Oser Ave.	30%	164,936	94.3%	\$ 1,358,265	\$ 8.74
375 Oser Ave.	40%	20,000	100.0%	\$ 69,626	\$ 3.48
425 Rabro Drive	25%	65,421	100.0%	\$ 695,098	\$ 10.63
390 Motor Parkway	4%	181,060	100.0%	\$ 998,576	\$ 5.52
400 Moreland Road(3)	10%	56,875	0.0%	\$ 0	\$ 0.00
600 Old Willets Path	25%	69,627	100.0%	\$ 421,264	\$ 6.05
		-----		-----	
Total-Vanderbilt Industrial Park(4)		2,379,404	88.4%	\$12,486,151	\$ 6.08
		-----		-----	
Airport International Plaza Islip, NY					
20 Orville Dr.	50%	12,900	100.0%	\$ 188,989	\$ 14.65
25 Orville Dr.	100%	33,655	100.0%	\$ 506,572	\$ 15.05
50 Orville Dr.	20%	28,000	99.8%	\$ 264,493	\$ 9.48
65 Orville Dr.	13%	32,000	100.0%	\$ 197,117	\$ 6.16
70 Orville Dr.	7%	41,508	100.0%	\$ 340,037	\$ 8.19
80 Orville Dr.	21%	92,544	90.4%	\$ 577,727	\$ 6.90
85 Orville Dr.	20%	25,000	100.0%	\$ 166,992	\$ 6.66
95 Orville Dr.	10%	25,300	100.0%	\$ 130,717	\$ 5.17
110 Orville Dr.	15%	110,000	100.0%	\$ 665,500	\$ 6.05
180 Orville Dr.	18%	37,612	100.0%	\$ 199,900	\$ 5.31
1101 Lakeland Ave.	8%	90,411	100.0%	\$ 546,987	\$ 6.05
1385 Lakeland Ave.	18%	35,000	100.0%	\$ 196,181	\$ 5.61
125 Wilbur Place	31%	62,686	87.0%	\$ 365,036	\$ 6.69
140 Wilbur Place	37%	48,500	100.0%	\$ 304,322	\$ 6.27
160 Wilbur Place	30%	62,710	100.0%	\$ 544,667	\$ 8.69

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170 Wilbur Place	28%	72,062	100.0%	\$ 446,784	\$ 6.19
4040 Veterans Highway	100%	2,800	100.0%	\$ 20,649	\$ 7.37
120 Wilbur Place	15%	34,866	100.0%	\$ 234,011	\$ 6.71
2002 Orville Drive North	17%	206,000	100.0%	\$ 1,734,856	\$ 8.42
2004 Orville Drive North	20%	106,515	100.0%	\$ 761,324	\$ 7.15
2005 Orville Drive North	20%	130,010	100.0%	\$ 983,816	\$ 7.57

Total-Airport International Plaza		1,290,079	98.7%	\$ 9,376,677	\$ 7.36

County Line Industrial Center Melville, NY					
5 Hub Dr	20%	88,001	100.0%	\$ 556,565	\$ 6.32
10 Hub Dr.	15%	95,671	100.0%	\$ 723,670	\$ 7.56
30 Hub Drive	18%	73,127	100.0%	\$ 499,492	\$ 6.83
265 Spagnoli Rd.	28%	85,555	100.0%	\$ 700,554	\$ 8.19

Total-County Line Industrial Center		342,354	100.0%	\$ 2,480,281	\$ 7.24

Standalone Long Island Properties					
Islip/Islandia					
32 Windsor Pl. Islip, NY	10%	43,000	100.0%	\$ 149,892	\$ 3.49
42 Windsor Pl. Islip, NY	8%	65,000	100.0%	\$ 151,667	\$ 2.33
208 Blydenburgh Rd. Islandia, NY	17%	24,000	100.0%	\$ 123,430	\$ 5.14
210 Blydenburgh Rd. Islandia, NY	16%	20,000	100.0%	\$ 114,224	\$ 5.71
71 Hoffman Ln. Islandia, NY	10%	30,400	100.0%	\$ 82,561	\$ 2.72
135 Fell Ct. Islip, NY	20%	30,124	100.0%	\$ 244,205	\$ 8.11

Subtotal Islip/Islandia		212,524	100.0%	\$ 865,979	\$ 4.07

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PROPERTY	PERCENTAGE OWNERSHIP	OWNERSHIP INTEREST (GROUND LEASE EXPIRATION DATE)	YEAR CONSTRUCTED	LAND AREA (ACRES)	CLEARANCE HEIGHT (FEET) (1)

Farmingdale					
70 Schmitt Boulevard, Farmingdale, NY	100%	Fee	1975	4.4	18
105 Price Parkway, Farmingdale, NY	100%	Fee	1969	12.0	26
110 Bi County Blvd. Farmingdale, NY	100%	Fee	1984	9.5	19

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Subtotal Farmingdale				25.9	

Melville					
70 Maxess Rd, Melville, NY	100%	Fee	1969	9.3	15
20 Melville Park Rd, Melville, NY	100%	Fee	1965	4.0	23
45 Melville Park Drive, Melville, NY	100%	Fee	1998	4.2	24
65 Marcus Drive. Melville, NY	100%	Fee	1968	5.0	16

Subtotal Melville				22.5	

Hauppauge					
300 Motor Parkway, Hauppauge, NY	100%	Fee	1979	4.2	14
1516 Motor Parkway, Hauppauge, NY	100%	Fee	1981	7.9	24

Subtotal Hauppauge				12.1	

Other					
933 Motor Parkway Smithtown, NY	100%	Fee	1973	5.6	20
65 S. Service Rd. Plainview, NY(5)	100%	Fee	1961	1.6	14
85 S. Service Rd. Plainview, NY	100%	Fee	1961	1.6	14
19 Nicholas Dr., Yaphank, NY (6)	100%	Fee	1989	29.6	24
48 Harbor Park Dr., Port Washington, NY	100%	Fee	1976	2.7	16
110 Marcus Dr., Huntington, NY	100%	Fee	1980	6.1	20
35 Engle St., Hicksville, NY	100%	Leasehold (7)	1966	4.0	24
100 Andrews Rd., Hicksville, NY	100%	Fee	1954	11.7	25

Subtotal other				62.9	

Total Long Island Properties				413.0	

Standalone Westchester Properties					
100 Grasslands Rd., Elmsford, NY	100%	Fee	1964	3.6	16
500 Saw Mill Rd., Elmsford, NY	100%	Fee	1968	7.3	22

Total-Standalone Westchester Industrial Properties				10.9	

Standalone New Jersey Industrial Properties					
40 Cragwood Rd, South Plainfield, NJ	100%	Fee	1965	13.5	16
100 Forge Way,					

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Rockaway, NJ	100%	Fee	1986	3.5	24
200 Forge Way, Rockaway, NJ	100%	Fee	1989	12.7	28
300 Forge Way, Rockaway, NJ	100%	Fee	1989	4.2	24
400 Forge Way, Rockaway, NJ	100%	Fee	1989	12.8	28

Total New Jersey Standalone Industrial Properties				46.7	-----
Standalone Connecticut Industrial Property 710 Bridgeport Shelton, CT					
	100%	Fee	1971-1979	36.1	22

Total Connecticut Standalone Industrial Property				36.1	-----
Total-Industrial Properties (4)				506.7	=====

PROPERTY	PERCENTAGE OFFICE/ RESEARCH AND DEVELOPMENT FINISH	RENTABLE SQUARE FEET	PERCENT LEASED	ANNUAL BASE RENT (2)	ANNUAL BASE RENT PER LEASED SQ. FT.	NUMB OF TENAN LEASE
-----	-----	-----	-----	-----	-----	-----
Farmingdale						
70 Schmitt Boulevard, Farmingdale, NY	10%	76,312	100.0%	\$ 582,060	\$ 7.63	1
105 Price Parkway, Farmingdale, NY	9%	297,000	100.0%	\$ 1,473,075	\$ 4.96	1
110 Bi County Blvd. Farmingdale, NY	45%	147,303	99.6%	\$ 1,435,514	\$ 10.37	10
Subtotal Farmingdale		520,615	99.9%	\$ 3,490,649	\$ 6.71	12
Melville						
70 Maxess Rd, Melville, NY	38%	78,600	100.0%	\$ 720,577	\$ 9.17	1
20 Melville Park Rd, Melville, NY	66%	67,922	100.0%	\$ 401,204	\$ 5.91	1
45 Melville Park Drive, Melville, NY	22%	40,247	100.0%	\$ 584,542	\$ 14.52	1
65 Marcus Drive. Melville, NY	50%	60,000	100.0%	\$ 646,375	\$ 10.77	1
Subtotal Melville		246,769	100.0%	\$ 2,352,698	\$ 9.53	4
Hauppauge						
300 Motor Parkway, Hauppauge, NY	100%	55,942	96.8%	\$ 880,587	\$ 17.92	9
1516 Motor Parkway,						

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Hauppauge, NY	5%	140,000	100.0%	\$ 878,850	\$ 6.28	1
		-----		-----		---
Subtotal Hauppauge		195,942	99.1%	\$ 1,759,437	\$ 9.06	10
		-----		-----		---
Other						
933 Motor Parkway						
Smithtown, NY	26%	48,000	50.0%	\$ 153,387	\$ 6.39	1
65 S. Service Rd.						
Plainview, NY(5)	10%	10,000	100.0%	\$ 61,499	\$ 6.15	1
85 S. Service Rd.						
Plainview, NY	60%	20,000	100.0%	\$ 132,113	\$ 6.61	2
19 Nicholas Dr.,						
Yaphank, NY (6)	5%	230,000	100.0%	\$ 1,353,042	\$ 5.88	1
48 Harbor Park Dr.,						
Port Washington, NY	100%	35,000	100.0%	\$ 765,072	\$ 21.86	1
110 Marcus Dr.,						
Huntington, NY	39%	78,240	100.0%	\$ 526,364	\$ 6.73	1
35 Engle St.,						
Hicksville, NY	8%	120,283	100.0%	\$ 610,892	\$ 5.08	1
100 Andrews Rd.,						
Hicksville, NY	12%	167,754	100.0%	\$ 1,188,780	\$ 7.09	2
		-----		-----		---
Subtotal other		709,277	96.6%	\$ 4,791,149	\$ 7.00	10
		-----		-----		---
Total Long Island						
Properties		5,896,964	94.7%	\$37,603,021	\$ 6.80	216
		-----		-----		---
Standalone Westchester						
Properties						
100 Grasslands Rd.,						
Elmsford, NY	100%	47,690	100.0%	\$ 825,670	\$ 17.31	4
500 Saw Mill Rd.,						
Elmsford, NY	17%	92,000	100.0%	\$ 920,000	\$ 10.00	1
		-----		-----		---
Total-Standalone						
Westchester Industrial						
Properties		139,690	100.0%	\$ 1,745,670	\$ 12.50	5
		-----		-----		---
Standalone New Jersey						
Industrial Properties						
40 Cragwood Rd,						
South Plainfield, NJ	49%	135,000	67.2%	\$ 1,421,202	\$ 15.68	4
100 Forge Way,						
Rockaway, NJ	12%	20,150	100.0%	\$ 174,597	\$ 8.66	5
200 Forge Way,						
Rockaway, NJ	23%	72,118	100.0%	\$ 586,560	\$ 8.13	2
300 Forge Way,						
Rockaway, NJ	37%	24,200	100.0%	\$ 230,050	\$ 9.51	2
400 Forge Way,						
Rockaway, NJ	20%	73,000	100.0%	\$ 499,620	\$ 6.84	3
		-----		-----		---
Total New Jersey						
Standalone						
Industrial Properties		324,468	86.3%	\$ 2,912,029	\$ 10.40	16
		-----		-----		---
Standalone Connecticut						
Industrial Property						
710 Bridgeport						
Shelton, CT	30%	452,414	54.3%	\$ 2,032,502	\$ 8.27	1
		-----		-----		---
Total Connecticut						
Standalone Industrial						

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Property	452,414	54.3%	\$ 2,032,502	\$ 8.27	1
	-----		-----		---
Total-Industrial Properties (4)	6,813,536	91.7%	\$44,293,222	\$ 7.15	238
	=====		=====		===

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- (1) Calculated as the difference from the lowest beam to floor.
- (2) Represents Base Rent, net of electric reimbursement, of signed leases at December 31, 2001 adjusted for scheduled contractual increases during the 12 months ending December 31, 2002. Total Base Rent for these purposes reflects the effect of any lease expirations that occur during the 12 month period ending December 31, 2002. Amounts included in rental revenue for financial reporting purposes have been determined on a straight-line basis rather than on the basis of contractual rent as set forth in the foregoing table.
- (3) Property under redevelopment.
- (4) Percent leased and annual base rent per leased square foot excludes properties under development.
- (5) Property was sold subsequent to December 31, 2001
- (6) The actual fee interest is currently held by the Town of Brookhaven Industrial Development Agency. The Company may acquire such fee interest by making a nominal payment to the Town of Brookhaven Industrial Development Agency.
- (7) The Company has entered into a 20 year lease agreement in which it has the right to sublease the premises.

RETAIL PROPERTIES

As of December 31, 2001, the Company owned two free-standing 10,000 square foot retail properties located in Great Neck and Huntington, New York of which one property is fully leased and one property is vacant.

DEVELOPMENTS IN PROGRESS

As of December 31, 2001, the Company had invested approximately \$143.7 million in developments in progress. This amount includes approximately \$62.4 million relating to existing buildings encompassing approximately 464,000 square feet. In addition, the Company has also invested approximately \$81.3 million relating to 13 parcels of land which it can develop approximately 2.8 million square feet of office and industrial space. One of these parcels, a 32 acre land parcel located in Rye Brook, NY, is currently under contract for sale and is scheduled to close during 2002. In addition, the Company is scheduled to acquire, during the first quarter of 2002, 52.7 acres of land located in Valhalla, NY on which the Company can develop approximately 875,000 square feet of office space.

THE OPTION PROPERTIES

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In connection with the IPO, the Company was granted a ten year option to acquire ten properties (the "Option Properties") which were not contributed to the Operating Partnership and are either owned by Reckson or in which Reckson owns a non controlling minority interest.

As of December 31, 2001, the Company has acquired four of the Option Properties for an aggregate purchase price of approximately \$35 million and the issuance of approximately 475,000 OP Units. In addition, during 1998, one of the Option Properties was sold by Reckson to a third party.

The remaining Option Properties consist of three Class A office properties encompassing approximately 311,000 square feet and two industrial properties encompassing approximately 69,000 square feet.

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HISTORICAL NON-INCREMENTAL REVENUE-GENERATING CAPITAL EXPENDITURES, TENANT IMPROVEMENT COSTS AND LEASING COMMISSIONS

The following table sets forth annual and per square foot recurring, non-incremental revenue-generating capital expenditures and non-incremental revenue-generating tenant improvement costs and leasing commissions incurred by the Company to retain revenues attributable to existing leased space for the period 1997 through 2001 for the Company's office and industrial properties. As noted, incremental revenue-generating tenant improvement costs and leasing commissions are excluded from the table set forth immediately below. The historical capital expenditures, tenant improvement costs and leasing commissions set forth below are not necessarily indicative of future recurring, non-incremental revenue-generating capital expenditures or non-incremental revenue-generating tenant improvement costs and leasing commissions.

	1997 ----	1998 ----	1999 ----	
NON-INCREMENTAL REVENUE GENERATING CAPITAL EXPENDITURES				
Suburban Office Properties				
Total	\$ 1,108,675	\$ 2,004,976	\$ 2,298,899	\$ 3,
Per square foot	\$ 0.22	\$ 0.23	\$ 0.23	\$
NYC Office Properties				
Total	N/A	N/A	N/A	\$
Per square foot	N/A	N/A	N/A	\$
Industrial Properties				
Total	\$ 733,233	\$ 1,205,266	\$ 1,048,688	\$
Per square foot	\$ 0.15	\$ 0.12	\$ 0.11	\$
NON-INCREMENTAL REVENUE GENERATING TENANT IMPROVEMENT COSTS AND LEASING COMMISSIONS				
Long Island Office Properties				
Annual Tenant Improvement Costs	\$ 784,044	\$ 1,140,251	\$ 1,009,357	\$ 2,
Per square foot improved	7.00	3.98	4.73	
Annual Leasing Commissions	\$ 415,822	\$ 418,191	\$ 551,762	\$ 2,
Per square foot leased	4.83	1.46	2.59	
Total per square foot	\$ 11.83	\$ 5.44	\$ 7.32	\$
Westchester Office Properties				
Annual Tenant Improvement Costs	\$ 1,211,665	\$ 711,160	\$ 1,316,611	\$ 1,
Per square foot improved	8.9	4.45	5.62	

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Annual Leasing Commissions	\$ 366,257	\$ 286,150	\$ 457,730	\$
Per square foot leased	2.69	1.79	1.96	
Total per square foot	\$ 11.59	\$ 6.24	\$ 7.58	\$
Connecticut Office Properties				
Annual Tenant Improvement Costs	\$ 1,022,421	\$ 202,880	\$ 179,043	\$
Per square foot improved	13.39	5.92	4.88	
Annual Leasing Commissions	\$ 256,615	\$ 151,063	\$ 110,252	\$
Per square foot leased	3.36	4.41	3.00	
Total per square foot	\$ 16.75	\$ 10.33	\$ 7.88	\$
New Jersey Office Properties				
Annual Tenant Improvement Costs	N/A	\$ 654,877	\$ 454,054	\$ 1,
Per square foot improved	N/A	3.78	2.29	
Annual Leasing Commissions	N/A	\$ 396,127	\$ 787,065	\$ 1,
Per square foot leased	N/A	2.08	3.96	
Total per square foot	N/A	\$ 5.86	\$ 6.25	\$
New York Office Properties				
Annual Tenant Improvement Costs	N/A	N/A	N/A	\$
Per square foot improved	N/A	N/A	N/A	
Annual Leasing Commissions	N/A	N/A	N/A	\$
Per square foot leased	N/A	N/A	N/A	
Total per square foot	N/A	N/A	N/A	\$
Industrial Properties				
Annual Tenant Improvement Costs	\$ 230,466	\$ 283,842	\$ 375,646	\$
Per square foot improved	0.55	0.76	0.25	
Annual Leasing Commissions	\$ 81,013	\$ 200,154	\$ 835,108	\$
Per square foot leased	0.19	0.44	0.56	
Total per square foot	\$ 0.74	\$ 1.20	\$ 0.81	\$

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MORTGAGE INDEBTEDNESS

The following table sets forth certain information regarding the mortgage debt of the Company, as of December 31, 2001.

PROPERTY -----	PRINCIPAL AMOUNT OUTSTANDING	INTEREST RATE	MATURITY DATE
	(IN THOUSANDS)		
80 Orville Drive	\$ 2,616	10.10%	February 1, 2004
395 North Service Road	20,117	6.45%	October 26, 2005
200 Summit Lake Drive	19,770	9.25%	January 1, 2006
1350 Avenue of the Americas	75,000	6.52%	June 1, 2006
Landmark Square	46,069	8.02%	October 7, 2006
100 Summit Lake Drive	20,373	8.50%	April 1, 2007
333 Earl Ovington Blvd (1)	54,785	7.72%	August 14, 2007
810 7th Avenue	84,280	7.73%	August 1, 2009
100 Wall Street	36,522	7.73%	August 1, 2009
6800 Jericho Turnpike	14,131	8.07%	July 1, 2010
6900 Jericho Turnpike	7,458	8.07%	July 1, 2010
580 White Plains Road	12,879	7.86%	September 1, 2010
919 3rd Avenue (6)	249,080	6.867%	August 1, 2011

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110 Bi-County Blvd.	3,849	9.125%	November 30, 2012
120 West 45th Street	65,214	6.82%(4)	November 1, 2027
One Orlando Center	38,934	6.82%(4)	November 1, 2027

Total	\$ 751,077		
	=====		

-
- (1) The Company has a 60% general partnership interest in this property and its proportionate share of the aggregate principal amount of the mortgage debt is approximately \$32.9 million.
 - (2) Principal payments of \$34,000 per month.
 - (3) Interest only
 - (4) Subject to interest rate adjustment on November 1, 2004.
 - (5) Interest only for the first year; 30 years thereafter.
 - (6) The company has a 51% membership interest in this property and its proportionate share of the aggregate principal amount of the mortgage debt is approximately \$127.0 million.

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ITEM 3. LEGAL PROCEEDINGS

Except as set forth below, the Company is not presently subject to any material litigation nor, to the Company's knowledge, is any litigation threatened against the Company, other than routine actions for negligence or other claims and administrative proceedings arising in the ordinary course of business, some of which are expected to be covered by liability insurance and all of which collectively are not expected to have a material adverse effect on the liquidity, results of operations or business or financial condition of the Company.

On or about October 3, 2001, Burgess Services, LLC ("Burgess Services"), Dominion Venture Group, LLC ("Dominion Venture Group") and certain affiliated parties commenced an action in Oklahoma State Court against Reckson Strategic Venture Partners ("RSVP"), the Company, and RAP-Dominion LLC ("RAP-Dominion"), a joint venture through which the Company invested with RSVP in a venture with certain of the plaintiffs. The plaintiff's petition alleges, among other things, that the defendants committed an anticipatory breach of the joint venture agreements and defrauded them into contributing assets into the joint venture. Plaintiff's petition seeks unspecified monetary damages, equitable relief and a declaratory adjudication of the parties' contractual rights, including whether a certain "buy-sell" provision has been properly triggered. The case was removed to the United States District Court for the Western District of Oklahoma. The Defendants, including the Company, have denied all allegations. In addition, the defendants counter-sued plaintiffs for breach of their contractual and fiduciary duties, and misappropriation of approximately \$30 million of the proceeds from the sale of an asset owned by the venture which the defendants claim was wrongly applied to pay off certain loans that Burgess and his wife personally guaranteed, rather than distributed to RAP-Dominion in accordance with the joint venture agreement. The defendants also allege that not only was the buy-sell trigger invalidly triggered, but the valuation formulas proposed violate the agreement. The Company believes that the claims asserted against it and RAP-Dominion are without merit and intends

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to defend against them vigorously. The Company also intends to pursue its rights to recover the misappropriated funds and other appropriate relief.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

No matters were submitted to a vote of stockholders during the fourth quarter of the year ended December 31, 2001.

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PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

CLASS A COMMON STOCK

The Company's Class A common stock began trading on the New York Stock Exchange ("NYSE") on May 25, 1995, under the symbol "RA". The following table sets forth the quarterly high and low closing prices per share of the Company's Class A common stock as reported on the NYSE and the distributions paid by the Company for each respective quarter ended.

	HIGH ---	LOW ---	DISTRIBUTION -----
March 31, 2000	\$ 21.313	\$ 17.688	\$.37125
June 30, 2000	\$ 24.063	\$ 18.750	\$.3860 (1)
September 30, 2000	\$ 26.813	\$ 23.625	\$.3860
December 31, 2000	\$ 26.000	\$ 21.875	\$.3860
March 31, 2001	\$ 25.88	\$ 21.90	\$.3860
June 30, 2001	\$ 23.90	\$ 21.14	\$.4246 (2)
September 30, 2001	\$ 24.15	\$ 21.90	\$.4246
December 31, 2001	\$ 24.46	\$ 22.15	\$.4246

(1) Commencing with the distribution for the quarter ending June 30, 2000, the Board of Directors of the Company increased the quarterly distribution to \$.3860 per share, which is equivalent to an annual distribution of \$1.544 per share.

(2) Commencing with the distribution for the quarter ending June 30, 2001, the Board of Directors of the Company increased the quarterly distribution to \$.4246 per share, which is equivalent to an annual distribution of \$1.6984 per share.

During the three months ended December 31, 2001, the Registrant issued 150,825 shares of its Class A common stock, par value \$0.01 per share, in exchange for an equal number of units of limited partnership interest of the Operating Partnership. This transaction was exempt from registration pursuant to

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Section 4(2) of the Securities Act of 1933.

CLASS B COMMON STOCK

The Company's Class B common stock began trading on the NYSE on May 25, 1999 under the symbol "RA.B". The following table sets forth the quarterly high and low closing prices per share of the Company's Class B common stock as reported on the NYSE and the distributions paid by the Company for each respective quarter ended.

	HIGH -----	LOW ---	DISTRIBUTION -----
March 31, 2000	\$ 22.875	\$ 18.875	\$.5600
June 30, 2000	\$ 25.438	\$ 19.938	\$.5867 (1)
September 30, 2000	\$ 27.563	\$ 24.625	\$.6000
December 31, 2000	\$ 27.563	\$ 22.500	\$.6000
March 31, 2001	\$ 27.50	\$ 22.90	\$.6000
June 30, 2001	\$ 25.00	\$ 22.40	\$.6164 (2)
September 30, 2001	\$ 25.60	\$ 23.29	\$.6492
December 31, 2001	\$ 25.76	\$ 23.55	\$.6492

(1) Commencing with the distribution for the three month period ended July 31, 2000, the Board of Directors of the Company increased the quarterly distribution to \$.60 per share, which is equivalent to an annual distribution of \$2.40 per share.

(2) Commencing with the distribution for the three month period ended July 31, 2001, the Board of Directors of the Company increased the quarterly distribution to \$.6492 per share, which is equivalent to an annual distribution of \$2.5968 per share.

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ITEM 6. SELECTED FINANCIAL DATA (in thousands except per share data and property count)

	RECKSON ASSOCIATES R ----- FOR THE YEAR ENDED D ----- 2001 -----
OPERATING DATA:	
Total revenues	\$ 540,468 \$

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Total expenses	395,414	
Income (before minority interests, preferred dividends and distributions, valuation reserves and extraordinary loss)	145,054	
Preferred dividends and distributions	23,977	
Minority interests	10,248	
Valuation reserves on investments in affiliate loans and joint ventures and other investments	166,101	
Extraordinary loss (net of minority interests' share)	2,595	
Net income (loss) allocable to Class A common shareholders	(44,243)	
Net income (loss) allocable to Class B common shareholders	(13,624)	
PER SHARE DATA - CLASS A COMMON SHAREHOLDERS:		
Basic:		
Basic net income (loss) before extraordinary loss	\$ (0.88)	\$
Extraordinary loss	(0.04)	
Basic net income (loss)	(0.92)	
Weighted average shares outstanding	48,121	
Diluted:		
Diluted net income (loss) before extraordinary loss	\$ (0.88)	\$
Extraordinary loss	(0.04)	
Diluted net income (loss)	(0.92)	
Diluted weighted average shares outstanding	48,121	
PER SHARE DATA - CLASS B COMMON SHAREHOLDERS:		
Basic:		
Basic net income (loss) before extraordinary loss	\$ (1.26)	\$
Extraordinary loss	(0.06)	
Basic net income (loss)	(1.32)	
Weighted average shares outstanding	10,284	
Diluted:		
Diluted net income (loss) before extraordinary loss	\$ (1.26)	\$
Extraordinary loss	(0.06)	
Diluted net income (loss)	(1.32)	
Diluted weighted average shares outstanding	10,284	
BALANCE SHEET DATA (PERIOD END):		
Commercial real estate properties, before accumulated depreciation	\$ 2,880,879	\$ 2
Cash and cash equivalents (4)	121,975	
Total assets	2,994,218	2
Mortgage notes payable	751,077	
Unsecured credit facility (4)	271,600	
Unsecured term loan	--	
Senior unsecured notes	449,463	
Market value of equity (1)	1,915,587	2
Total market capitalization including debt (1 and 2)	3,251,599	3
OTHER DATA:		
Funds from operations (basic) (3)	\$ 179,687	\$
Funds from operations (diluted) (3)	\$ 206,288	\$
Total square feet (at end of period)	20,611	
Number of properties (at end of period)	182	

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1999

OPERATING DATA:		
Total revenues	\$ 403,153	\$
Total expenses	299,111	

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Income (before minority interests, preferred dividends and distributions, valuation reserves and extraordinary loss)	104,042	
Preferred dividends and distributions	27,001	
Minority interests	16,209	
Valuation reserves on investments in affiliate loans and joint ventures and other investments	--	
Extraordinary loss (net of minority interests' share)	555	
Net income (loss) allocable to Class A common shareholders	47,529	
Net income (loss) allocable to Class B common shareholders	12,748	
PER SHARE DATA - CLASS A COMMON SHAREHOLDERS:		
Basic:		
Basic net income (loss) before extraordinary loss	\$ 1.19	\$
Extraordinary loss	(.01)	
Basic net income (loss)	1.18	
Weighted average shares outstanding	40,270	
Diluted:		
Diluted net income (loss) before extraordinary loss	\$ 1.18	\$
Extraordinary loss	(.01)	
Diluted net income (loss)	1.17	
Diluted weighted average shares outstanding	40,676	
PER SHARE DATA - CLASS B COMMON SHAREHOLDERS:		
Basic:		
Basic net income (loss) before extraordinary loss	\$ 1.91	\$
Extraordinary loss	(.02)	
Basic net income (loss)	1.89	
Weighted average shares outstanding	6,744	
Diluted:		
Diluted net income (loss) before extraordinary loss	\$ 1.27	\$
Extraordinary loss	(.01)	
Diluted net income (loss)	1.26	
Diluted weighted average shares outstanding	6,744	
BALANCE SHEET DATA (PERIOD END):		
Commercial real estate properties, before accumulated depreciation	\$ 2,208,399	\$ 1,
Cash and cash equivalents (4)	21,368	
Total assets	2,733,878	1,
Mortgage notes payable	459,174	
Unsecured credit facility (4)	297,600	
Unsecured term loan	75,000	
Senior unsecured notes	449,313	
Market value of equity (1)	1,726,845	1,
Total market capitalization including debt (1 and 2)	2,993,756	2,
OTHER DATA:		
Funds from operations (basic) (3)	\$ 130,820	\$
Funds from operations (diluted) (3)	\$ 161,681	\$
Total square feet (at end of period)	21,385	
Number of properties (at end of period)	189	

(1) Based on the sum of:

- (i) the market value of the Company's Class A common stock and operating partnership units (assuming conversion) of 57,469,595, 53,046,928, 48,076,648, 47,800,049 and 44,988,846 at December 31, 2001, 2000, 1999, 1998 and 1997, respectively (based on a per share/unit price of \$23.36, \$25.06, \$20.50, \$22.19 and \$25.38 at December 31, 2001, 2000, 1999, 1998 and 1997, respectively),
- (ii) the market value of the Company's Class B common stock of

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10,283,513, 10,283,513 and 10,283,763 shares at December 31, 2001, 2000 and 1999, respectively (based on a per share price of \$25.51, \$27.19 and \$22.75 at December 31, 2001, 2000 and 1999, respectively),

(iii) the liquidation preference value of 11,192,000, 11,192,000 and 15,192,000 shares of the Company's preferred stock at December 31, 2001, 2000 and 1999, respectively (based on a per share value of \$25.00),

(iv) the liquidation preference value of 30,965, 42,518 and 42,518 of the operating partnership's preferred units at December 31, 2001, 2000 and 1999, respectively (based on a per unit value of \$1,000) and

(v) at December 31, 2000 and December 31, 1999, the contributed value of a minority partners' preferred interest of \$85 million.

(2) Debt amount is net of minority partners' proportionate share of joint venture debt plus the Company's share of unconsolidated joint venture debt.

(3) See "Management's Discussion and Analysis of Financial Condition and Results of Operations" for a discussion of funds from operations.

(4) On January 4, 2002, approximately \$85 million of the cash proceeds received from the sale of a 49% interest in the property located at 919 Third Avenue, New York, NY, was used to pay down the Company's unsecured credit facility.

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ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion should be read in conjunction with the historical financial statements of Reckson Associates Realty Corp. (the "Company") and related notes thereto.

The Company considers certain statements set forth herein to be forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, with respect to the Company's expectations for future periods. Certain forward-looking statements, including, without limitation, statements relating to the timing and success of acquisitions and the completion of development or redevelopment of properties, the financing of the Company's operations, the ability to lease vacant space and the ability to renew or relet space under expiring leases, involve risks and uncertainties. Although the Company believes that the expectations reflected in such forward-looking statements are based on reasonable assumptions, the actual results may differ materially from those set forth in the forward-looking statements and the Company can give no assurance that its expectation will be achieved. Among those risks, trends and uncertainties are: the general economic climate, including the conditions affecting industries in which our principal tenants compete; changes in the supply of and demand for office and industrial properties in the New York Tri-State area; changes in interest rate levels; downturns in rental rate levels in our markets and our ability to lease or release space in a timely manner at current or anticipated rental rate levels; the availability of financing to us or our tenants; changes in operating costs, including utility, security and insurance costs; repayment of debt owed to the Company by third parties (including FrontLine Capital Group); risks associated

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with joint ventures; and other risks associated with the development and acquisition of properties, including risks that development may not be completed on schedule, that the tenants will not take occupancy or pay rent, or that development or operating costs may be greater than anticipated. Consequently, such forward-looking statements should be regarded solely as reflections of the Company's current operating and development plans and estimates. These plans and estimates are subject to revisions from time to time as additional information becomes available, and actual results may differ from those indicated in the referenced statements.

CRITICAL ACCOUNTING POLICIES

The consolidated financial statements of the Company include accounts of the Company and all majority-owned subsidiaries. The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions in certain circumstances that affect amounts reported in the Company's consolidated financial statements and related notes. In preparing these financial statements, management has utilized information available including its past history, industry standards and the current economic environment among other factors in forming its estimates and judgments of certain amounts included in the consolidated financial statements, giving due consideration to materiality. It is possible that the ultimate outcome as anticipated by management in formulating its estimates inherent in these financial statements may not materialize. However, application of the critical accounting policies below involves the exercise of judgment and use of assumptions as to future uncertainties and, as a result, actual results could differ from these estimates. In addition, other companies may utilize different estimates, which may impact comparability of the Company's results of operations to those of companies in similar businesses.

Revenue Recognition and Accounts Receivable

Rental revenue is recognized on a straight line basis, which averages minimum rents over the terms of the leases. The excess of rents recognized over amounts contractually due are included in deferred rents receivable on the Company's balance sheets. The leases also typically provide for tenant reimbursements of common area maintenance and other operating expenses and real estate taxes. Ancillary and other property related income is recognized in the period earned.

The Company makes estimates of the collectibility of its accounts receivables related to base rents, tenant escalations and reimbursements and other revenue or income. The Company specifically analyzes tenant receivables and analyzes historical bad debts, customer credit worthiness, current economic trends

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and changes in customer payment terms when evaluating the adequacy of its allowance for doubtful accounts. In addition, when tenants are in bankruptcy the Company makes estimates of the expected recovery of pre-petition administrative and damage claims. In some cases, the ultimate resolution of those claims can exceed beyond a year. These estimates have a direct impact on the Company's net income, because a higher bad debt reserve results in less net income.

The Company records interest income on investments in mortgage notes and

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notes receivable on an accrual basis of accounting. The Company does not accrue interest on impaired loans where, in the judgment of management, collection of interest according to the contractual terms is considered doubtful. Among the factors the Company considers in making an evaluation of the collectibility of interest are: (i) the status of the loan, (ii) the value of the underlying collateral, (iii) the financial condition of the borrower and (iv) anticipated future events.

Gain on sales of real estate are recorded when title is conveyed to the buyer, subject to the buyer's financial commitment being sufficient to provide economic substance to the sale.

Real Estate

Land, buildings and improvements, furniture, fixtures and equipment are recorded at cost. Tenant improvements, which are included in buildings and improvements, are also stated at cost. Expenditures for maintenance and repairs are charged to operations as incurred. Renovations and/or replacements, which improve or extend the life of the asset are capitalized and depreciated over their estimated useful lives.

Depreciation is computed utilizing the straight-line method over the estimated useful lives of ten to thirty years for buildings and improvements and five to ten years for furniture, fixtures and equipment. Tenant improvements are amortized on a straight-line basis over the term of the related leases.

The Company is required to make subjective assessments as to the useful lives of its properties for purposes of determining the amount of depreciation to reflect on an annual basis with respect to those properties. These assessments have a direct impact on the Company's net income. Should the Company lengthen the expected useful life of a particular asset, it would be depreciated over more years, and result in less depreciation expense and higher annual net income.

Assessment by the Company of certain other lease related costs must be made when the Company has a reason to believe that the tenant will not be able to execute under the term of the lease as originally expected.

Long Lived Assets

On a periodic basis, management assesses whether there are any indicators that the value of the real estate properties may be impaired. A property's value is impaired only if management's estimate of the aggregate future cash flows (undiscounted and without interest charges) to be generated by the property are less than the carrying value of the property. Such cash flows consider factors such as expected future operating income, trends and prospects, as well as the effects of demand, competition and other factors. To the extent impairment has occurred, the loss will be measured as the excess of the carrying amount of the property over the fair value of the property.

The Company is required to make subjective assessments as to whether there are impairments in the value of its real estate properties and other investments. These assessments have a direct impact on the Company's net income, because taking an impairment results in an immediate negative adjustment to net income.

Stock-Based Compensation

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The Company has elected to follow Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees" ("APB 25") and related interpretations in accounting for its employee stock options because, the alternative fair value accounting provided for under FASB Statement No. 123, "Accounting for Stock-Based Compensation," ("Statement 123") requires use of option valuation

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models that were not developed for use in valuing employee stock options. Under APB 25, no compensation expense is recognized upon the granting of stock options when the exercise price of the Company's employee stock options equals the market price of the underlying stock on the date of grant. The Company provides additional pro forma disclosures as required under Statement 123 in the notes to its consolidated financial statements.

OVERVIEW AND BACKGROUND

The Reckson Group, the predecessor to the Company, was engaged in the ownership, management, operation, leasing and development of commercial real estate properties, principally office and industrial buildings, and also owned certain undeveloped land located primarily on Long Island, New York. In June 1995, the Company completed an initial public offering (the "IPO"), succeeded to the Reckson Group's real estate business and commenced operations.

The Company is a self-administered and self managed real estate investment trust ("REIT") engaged in the ownership, acquisition, leasing, financing, management and development of office and industrial properties and also owns land for future development. The Company's growth strategy is focused on the commercial real estate markets in and around the New York tri-state area (the "Tri-State Area").

As part of the Company's REIT structure it is provided management, leasing and construction related services through taxable REIT subsidiaries as defined by the Internal Revenue Code of 1986. These services are currently provided by Reckson Management, Inc., RANY Management Group, Inc., and Reckson Construction Group, Inc. (collectively, the "Service Companies"). The Operating Partnership owns a 97% non-controlling interest in the Service Companies. An entity which is owned by certain executive officers of the Company owns a 3% controlling interest in the Service Companies.

During July 1998, the Company formed Metropolitan Partners, LLC ("Metropolitan") for the purpose of acquiring Class A office properties in New York City. Currently the Company owns, through Metropolitan, five Class A office properties aggregating approximately 3.5 million square feet.

During September 2000, the Company formed a joint venture (the "Tri-State JV") with Teachers Insurance and Annuity Association ("TIAA") and contributed eight Class A suburban office properties aggregating approximately 1.5 million square feet to the Tri-State JV for a 51% majority ownership interest. TIAA contributed approximately \$136 million for a 49% interest in the Tri-State JV which was then distributed to the Company. As a result, the Company realized a gain of approximately \$15.2 million. For purposes of its financial statements the Company consolidates this joint venture.

On December 21, 2001, the Company formed a joint venture with the New York State Teachers' Retirement Systems ("NYSTRS") whereby NYSTRS acquired a 49% indirect interest in the property located at 919 Third Avenue, New York, NY for \$220.5 million which included \$122.1 million of its proportionate share of

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secured mortgage debt and approximately \$98.4 million of cash which was then distributed to the Company. As a result, the Company realized a gain of approximately \$18.9 million. For purposes of its financial statements the Company consolidates this joint venture.

The Company owns all of its interests in its real properties, directly or indirectly, through Reckson Operating Partnership, L.P. (the "Operating Partnership"). As of December 31, 2001 the Company owned 182 properties (including 11 joint venture properties) in the Tri-State Area suburban and CBD markets, encompassing approximately 20.6 million rentable square feet, all of which are managed by the Company. These properties include 60 Class A suburban office properties encompassing approximately 8.5 million rentable square feet, of which 42 of these properties or 74% as measured by square footage, are located within the Company's ten office parks. Reckson has historically emphasized the development and acquisition of properties that are part of large-scale suburban office parks. The Company believes that owning properties in planned office and industrial parks provides certain strategic advantages, including the following: (i) certain tenants prefer being located in a park with other high quality companies to enhance their corporate image, (ii) parks afford tenants certain aesthetic amenities such as a common landscaping plan, standardization of signage and common dining and recreational facilities, (iii) tenants may expand (or contract) their business within a park, enabling them to centralize business

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functions and (iv) a park provides tenants with access to other tenants and may facilitate business relationships between tenants. The properties also include 17 Class A CBD office properties encompassing approximately 5.3 million rentable square feet. The CBD office properties consist of five properties located in New York City, eight properties located in Stamford, CT and four properties located in White Plains, NY. Additionally, the properties include 103 industrial properties encompassing approximately 6.8 million rentable square feet, of which 72 of these properties, or 59% as measured by square footage, are located within the Company's three industrial parks. The properties also include two retail properties comprising approximately 20,000 rentable square feet.

Through its ownership of properties in the key CBD and suburban office markets in the Tri-State Area, the Company believes it has a unique competitive advantage as the trend toward the regional decentralization of the workplace increases. Due to the events of September 11th, as well as technological advances which further enable decentralization, companies are strategically re-evaluating the benefits and feasibility of regional decentralization and reassessing their long-term space needs. The Company believes this multi-location regional decentralization will continue to take place, increasing as companies begin to have better visibility as to the future of the economy, further validating our regional strategy of maintaining a significant market share in each of the key CBD and suburban office markets in the Tri-State Area.

The Company also owns approximately 254 acres of land in 12 separate parcels of which the Company can develop approximately two million square feet of office space and approximately 450,000 square feet of industrial space. The Company is also obligated to purchase, during the first quarter of 2002, 52.7 acres of land located in Valhalla, NY on which the Company can develop approximately 875,000 square feet of office space. In addition, the Company owns a 32 acre land parcel located in Rye Brook, NY which is under contract for sale for approximately \$22.3 million. The closing is scheduled to occur during 2002. Since the IPO the Company has developed or redeveloped 14 properties

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encompassing approximately 2.1 million square feet of office and industrial space.

The Company also owns a 357,000 square foot office building located in Orlando, Florida and has invested approximately \$17.0 million in a note receivable secured by a partnership interest in Omni Partners, L. P., owner of the Omni, a 575,000 square foot Class A Office Property located in Uniondale, NY, effectively increasing its economic interest in the property owning partnership and \$36.5 million under three notes which are secured by a minority partner's preferred unit interest in the Operating Partnership and certain real property.

The market capitalization of the Company at December 31, 2001 was approximately \$3.3 billion. The Company's market capitalization is based on the sum of (i) the market value of the Company's Class A common stock and common units of limited partnership interest in the Operating Partnership ("OP Units") (assuming conversion) of \$23.36 per share/unit (based on the closing price of the Company's Class A common stock on December 31, 2001), (ii) the market value of the Company's Class B common stock of \$25.51 per share (based on the closing price of the Company's Class B common stock on December 31, 2001), (iii) the liquidation preference value of the Company's Series A preferred and Series B preferred stock of \$25 per share, (iv) the liquidation preference value of the Operating Partnership's preferred units of \$1,000 per unit and (v) approximately \$1.3 billion (including its share of joint venture debt and net of minority partners' interests share of joint venture debt) of debt outstanding at December 31, 2001. As a result, the Company's total debt to total market capitalization ratio at December 31, 2001 equaled approximately 41.1%. At December 31, 2001, the Company had approximately \$122 million of cash and cash equivalents on hand of which approximately \$98.4 million was generated from the sale of a 49% interest in one of its major CBD assets. On January 4, 2002, the Company repaid approximately \$85 million of its short term debt from its cash and cash equivalents on hand.

During 1997, the Company formed FrontLine Capital Group, formerly Reckson Service Industries, Inc., ("FrontLine") and Reckson Strategic Venture Partners, LLC ("RSVP"). RSVP is a real estate venture capital fund which invests primarily in real estate and real estate operating companies outside the Company's core office and industrial focus and whose common equity is held indirectly by FrontLine. In connection with the formation and spin-off of FrontLine, the Operating Partnership established an

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unsecured credit facility with FrontLine (the "FrontLine Facility") in the amount of \$100 million for FrontLine to use in its investment activities, operations and other general corporate purposes. The Company has advanced approximately \$93.4 million under the FrontLine Facility. The Operating Partnership also approved the funding of investments of up to \$100 million relating to RSVP (the "RSVP Commitment"), through RSVP-controlled joint ventures (for REIT-qualified investments) or advances made to FrontLine under an unsecured loan facility (the "RSVP Facility") having terms similar to the FrontLine Facility (advances made under the RSVP Facility and the FrontLine Facility hereafter, the "FrontLine Loans"). During March 2001, the Company increased the RSVP Commitment to \$110 million and as of December 31, 2001, approximately \$109.1 million had been funded through the RSVP Commitment, of which \$59.8 million represents investments by the Company in RSVP-controlled (REIT-qualified) joint ventures and \$49.3 million represents loans made to FrontLine under the RSVP Facility. As of December 31, 2001, interest accrued (net of reserves) under the FrontLine Facility and the RSVP Facility was approximately \$19.6 million.

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At June 30, 2001, the Company assessed the recoverability of the FrontLine Loans and reserved approximately \$3.5 million of the interest accrued during the three-month period then ended. In addition, the Company formed a committee of its Board of Directors, comprised solely of independent directors, to consider any actions to be taken by the Company in connection with the FrontLine Loans and its investments in joint ventures with RSVP. During the third quarter of 2001, the Company noted a significant deterioration in FrontLine's operations and financial condition and, based on its assessment of value and recoverability and considering the findings and recommendations of the committee and its financial advisor, the Company recorded a \$163 million valuation reserve charge, inclusive of anticipated costs, in its consolidated statements of operations relating to its investments in the FrontLine Loans and joint ventures with RSVP. The Company has discontinued the accrual of interest income with respect to the FrontLine Loans. The Company has also reserved against its share of GAAP equity in earnings from the RSVP controlled joint ventures funded through the RSVP Commitment until such income is realized through cash distributions.

At December 31, 2001, the Company, pursuant to Section 166 of the Internal Revenue Code of 1986, charged off \$70 million of the aforementioned reserve directly related to the FrontLine Facility, including accrued interest. Subsequent to December 31, 2001, the Company charged off an additional \$38 million of the reserve directly related to the FrontLine Facility, including accrued interest and \$47 million of the reserve directly related to the RSVP Facility, including accrued interest.

FrontLine is in default under the FrontLine Loans from the Operating Partnership and has reported that it is currently in discussions with its creditors, including the Company, and that it may be required to seek protection from creditors under federal bankruptcy laws.

As a result of the foregoing, the net carrying value of the Company's investments in the FrontLine Loans and joint venture investments with RSVP, inclusive of the Company's share of previously accrued GAAP equity in earnings on those investments, is approximately \$65.0 million. Such amount has been reflected in investments in service companies and affiliate loans and joint ventures on the Company's consolidated balance sheet.

Both the FrontLine Facility and the RSVP Facility have a term of five years, are unsecured and advances under each are recourse obligations of FrontLine. Notwithstanding the valuation reserve, under the terms of the credit facilities, interest accrues on the FrontLine Loans at a rate equal to the greater of (a) the prime rate plus two percent and (b) 12% per annum, with the rate on amounts that are outstanding for more than one year increasing annually at a rate of four percent of the prior year's rate. In March 2001, the credit facilities were amended to provide that (i) interest is payable only at maturity and (ii) the Company may transfer all or any portion of its rights or obligations under the credit facilities to its affiliates. The Company requested these changes as a result of changes in REIT tax laws.

The Operating Partnership and FrontLine entered into an intercompany agreement (the "Reckson Intercompany Agreement") to formalize their relationship at the time of the spin-off of FrontLine and to limit conflicts of interest. Under the Reckson Intercompany Agreement, among other provisions, (i) FrontLine granted the Operating Partnership a right of first opportunity to make any REIT-qualified

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investment that becomes available to FrontLine and (ii) the Operating Partnership granted FrontLine a right to (a) provide the Operating Partnership and its tenants with commercial services for occupants of office, industrial and other property types and (b) become the lessee of any real property acquired by the Operating Partnership if the Operating Partnership determines that, consistent with the Company's status as a REIT, it is required to enter into a "master" lease agreement.

HQ Global Workplaces, Inc., ("HQ") one of the largest providers of flexible officing solutions in the world and which is controlled by FrontLine currently operates eleven executive office centers in the Company's properties, three of which are held through joint ventures. The leases under which these office centers operate expire between 2008 and 2011, encompass approximately 225,000 square feet and have current contractual annual base rents of approximately \$6.7 million. Currently, three of these office centers (including one joint venture location) aggregating 55,000 square feet with current contractual annual base rents of \$1.4 million are in default under their lease terms. In addition, HQ has been experiencing financial difficulties and on March 13, 2002, voluntarily filed a petition for relief under Chapter 11 of the U.S. Bankruptcy Code. There can be no assurances as to whether HQ will affirm or reject its existing leases with the Company. At this time it cannot be determined what impact their financial difficulties and bankruptcy filing will have on their ability to meet their future lease obligations with the Company.

Scott H. Rechler, who serves as Co-Chief Executive Officer and a director of the Company, serves as Chief Executive Officer and Chairman of the Board of Directors of FrontLine. The Company's directors and officers own approximately 15.9% of FrontLine's outstanding common stock. Scott H. Rechler also serves as non-executive Chairman of the Board of HQ.

RESULTS OF OPERATIONS

The Company's total revenues increased by \$30.5 million or 6.0% from 2000 to 2001 and \$106.8 million or 26.5% from 1999 to 2000. Property operating revenues, which include base rents and tenant escalations and reimbursements ("Property Operating Revenues") increased by \$45.7 million or 10.1% from 2000 to 2001 and \$82.9 million or 22.5% from 1999 to 2000. The 2001 increase in Property Operating Revenues is primarily attributable to increases in rental rates in our "same store" properties amounting to \$29.3 million. In addition, \$12.4 million of the increase was generated by the lease up of newly developed and redeveloped properties added to the operating portfolio. The increase in Property Operating Revenues offset the decrease of \$15.2 million in other revenues. This decrease is primarily due to a decrease of \$11.6 million related to interest earned on advances made under the FrontLine Loans. In addition, \$2.3 million of the decrease is attributable to lower equity in earnings of real estate joint ventures and service companies. The 2000 increase in Property Operating Revenues is substantially attributable to the Company's entrance into the New York City market. The 1999 and 2000 acquisitions of the five properties comprising the New York City portfolio represented \$48.6 million, or 58.6%, of the increase in Property Operating Revenues. Property Operating Revenues were also positively impacted by approximately \$15.3 million from increases in occupancies and rental rates in our "same store" properties, and approximately \$9.6 million from the lease up of newly developed and redeveloped properties added to the operating portfolio. These increases offset the impact of \$14.8 million of Property Operating Revenues that were generated from "Big Box" industrial properties that were sold in 1999. The remaining balance of the increase in total revenues for 2000 is primarily attributable to an increase in gain on dispositions of real estate of approximately \$11.8 million and an increase of approximately \$8.1 million in other revenue related to interest earned on advances made under the FrontLine Loans.

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The Company's base rent reflects the positive impact of the straight-line rent adjustment of \$41.6 million in 2001, \$38.8 million in 2000 and \$10.7 million in 1999. The 2001 and 2000 straight-line rent adjustment includes \$26.9 million and \$23.3 million, respectively, generated from the property located at 919 Third Avenue, New York, NY, which is attributable to rental abatement periods for the three largest tenants.

Property operating expenses, real estate taxes and ground rents ("Property Expenses") increased by \$11.2 million or 7.1% from 2000 to 2001 and \$31.5 million or 25.0% from 1999 to 2000. The 2001 increase in Property Expenses is primarily due to an increase of \$10.2 million in our "same-store" properties which consists of a \$6.2 million increase in property operating expenses and a \$4.0 million increase in real

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estate taxes. The increase in Property Expenses is also attributable to increases in labor costs, maintenance contracts and security costs. In addition, there was an increase in Property Expenses of \$2.7 million due to higher occupancy levels at our developed and redeveloped properties. The 2000 increase in Property Expenses is substantially attributable to the Company's entrance into the New York City market. The 1999 and 2000 acquisitions of the five properties comprising the New York City portfolio represented \$25.0 million, or 79.4%, of the increase in Property Expenses. In addition, \$6.5 million of the increase is attributable to expense growth in our "same store" properties.

Gross operating margins (defined as Property Operating Revenues less Property Expenses, taken as a percentage of Property Operating Revenues) for 2001, 2000 and 1999 were 66.1%, 65.2% and 65.9%, respectively. The increase from 2000 to 2001 is primarily due to an increase in rental rates. The slight decrease from 1999 to 2000 in the gross operating margin percentages resulted from a larger proportionate share of gross operating margin derived from office properties, which has a lower gross margin percentage. The higher proportionate share of the gross operating margin attributable to the office properties was a result of the acquisition of five properties representing the Company's entrance into the New York City market and the disposition of net leased "Big Box" industrial properties. This shift in the composition of the portfolio was offset by increases in rental rates and operating efficiencies realized as a result of operating a larger portfolio of properties with concentration of properties in office and industrial parks or in its established sub-markets.

Marketing, general and administrative expenses were \$30.7 million in 2001, \$27.4 million in 2000 and \$24.3 million in 1999. The increase in marketing, general and administrative expenses is primarily due to the increased costs of opening and maintaining the Company's New York City division and maintaining offices and infrastructure in each of the Company's markets including Long Island, Westchester, Southern Connecticut and Northern New Jersey and administrative costs associated with the growth of the Company. The Company's business strategy has been to expand further into the Tri-State Area suburban and CBD markets and the New York City market by applying its standards for high quality office and industrial space and premier tenant service to its New Jersey, Westchester, Southern Connecticut and New York City divisions. In doing this, the Company seeks to create a superior franchise value that it enjoys in its home base of Long Island. Over the past three years the Company has supported this effort by increasing its marketing programs and strengthening its resources and operating systems. The cost of these efforts is reflected in both marketing, general and administrative expenses as well as the revenue growth of the Company. To a lesser extent, in 2001, the increase in marketing, general and administrative costs was impacted by legal and professional fees

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incurred in connection with certain cancelled acquisition transactions and amortization of deferred compensation costs. Marketing, general and administrative expense as a percentage of total revenues were 5.7% in 2001, 5.4% in 2000 and 6.0% in 1999.

Interest expense was \$93.1 million in 2001, \$96.3 million in 2000 and \$74.3 million in 1999. The decrease of \$3.2 million from 2000 to 2001 is attributable to lower interest rates and a decreased average balance on the Company's unsecured credit facility. This was partially offset by an increase in the Company's mortgage notes payable which was the result of the refinancing of the property located at 919 Third Avenue, New York, NY. The increase of \$22.0 million from 1999 to 2000 is primarily attributable to the debt incurred in connection with the acquisition of the five properties comprising the New York City portfolio. In addition, the increase was also attributable to a full year of interest on \$300 million of senior unsecured notes issued in March 1999. The weighted average balance outstanding on the Company's unsecured credit facility was \$284.5 million in 2001, \$416.5 million in 2000 and \$423.8 million in 1999.

Included in depreciation and amortization expense is amortized financing costs of \$4.5 million in 2001, \$4.1 million in 2000 and \$3.4 million in 1999. The increase of approximately \$700,000 from 1999 to 2000 is primarily attributable to the secured financings of the 919 Third Avenue and 1350 Avenue of the Americas properties located in New York, NY.

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For the year ended December 31, 2001, the Company's consolidated statement of operations includes valuation reserve charges of \$166.1 million which is comprised of the following: (i) Valuation reserve charges, inclusive of anticipated costs, of \$163 million related to the Company's investments in the FrontLine Loans and joint ventures with RSVP (see Overview and Background for a further discussion of this valuation reserve charge), (ii) In November 1999, the Company received 176,186 shares of the common stock of FrontLine as fees in connection with the FrontLine Loans. As a result of certain tax rule provisions included in the REIT Modernization Act, it was determined that the Company could no longer maintain any equity position in FrontLine. As part of a compensation program, the Company distributed these shares to certain non-executive employees subject to recourse loans. The loans were scheduled to be forgiven over time based on continued employment with the Company. Based on the current value of FrontLine's common stock the Company has established a valuation reserve charge relating to the outstanding balance of these loans in the amount of \$2.4 million and (iii) Based on the Company's value assessment of its investment in Captivate Network, Inc., an unrelated technology based service company, the Company recorded a valuation reserve charge of approximately \$700,000.

Extraordinary losses, net of limited partners' minority interest, resulted in a \$2.6 million loss in 2001, a \$1.4 million loss in 2000 and a \$555,000 loss in 1999. The extraordinary losses were all attributed to the write-offs of certain deferred loan costs incurred in connection with the Company's refinancing of its debt.

LIQUIDITY AND CAPITAL RESOURCES

Summary of Cash Flows

Net cash provided by operating activities totaled \$186.0 million in 2001,

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\$169.2 million in 2000 and \$153.5 million in 1999. Increases for each year were primarily attributable to the growth in cash flow provided by the acquisition of properties and/or the increased occupancy levels of the Company's development properties and the increase in rental rates in all of the Company's markets.

Net cash used in investing activities totaled \$87.5 million in 2001, \$261.3 million in 2000 and \$391.8 million in 1999. Cash used in investing activities related primarily to investments in real estate properties including development costs. Included in these investing activities is the Company's investments of approximately \$18.7 million, \$16.3 million and \$14.7 million in RSVP-controlled (REIT qualified) joint ventures in each of the years then ended. In addition, during 1999, the Company invested approximately \$277.5 million for the acquisition of the first mortgage note securing the property located at 919 Third Avenue, New York, NY. Cash used in investing activities was offset by proceeds from the redemption of the Company's preferred equity investments in Keystone Property Trust in 2001 and 2000 as well as from sales of real estate, securities and mortgage note receivable repayments in each of the years then ended.

Net cash provided by financing activities totaled \$5.7 million in 2001, \$88.6 million in 2000 and \$257.4 million in 1999. Cash provided by financing activities related primarily to proceeds from secured debt financings, minority partner contributions and advances under the Company's unsecured credit facility and term loan in each of the years then ended. Cash provided by financing activities in 1999 was also provided by the issuance of the Company's Series B preferred stock and senior unsecured notes. Cash provided by financing activities was offset by advances made under the FrontLine Loans of approximately \$7.2 million, \$13.6 million and \$81.0 million in each of the years then ended. Cash provided by financing activities was also offset by principal payments on secured borrowings, the unsecured credit facility and term loan as well as loan equity issuance costs and dividends and distributions.

Investing Activities

On October 29, 2001, the Company, at its option, acquired the lessor's rights to the air rights lease agreement for the property located at 120 West 45th Street, New York, NY for approximately \$7.7 million. As a result, the Company's obligation to pay rent under this lease agreement was eliminated.

On December 21, 2001, Metropolitan sold a 49% indirect interest in the property located at 919 Third Avenue, New York, NY for \$220.5 million which included \$122.1 million of its proportionate share of secured mortgage debt and approximately \$98.4 million of cash. As a result, the Company realized a gain of approximately \$18.9 million.

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During the year ended December 31, 2001, the Company sold five office properties aggregating approximately 678,000 square feet for \$82.1 million, a 26,000 square foot industrial property for \$2.8 million and its remaining preferred interest in Keystone Property Trust for \$35.7 million. As a result of these sales the Company realized a net gain of approximately \$1.3 million. Net proceeds from these sales were used primarily to repay borrowings under the Company's unsecured credit facility and to establish an escrow account with a qualified intermediary for a future exchange of real property pursuant to Section 1031 of the Internal Revenue Code of 1986. The Company has identified approximately 52.7 acres of land located in Valhalla, NY for the purposes of

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this exchange.

Subsequent to December 31, 2001, the Company entered into a contract to sell two Class A office properties, located in Westchester County, NY, aggregating approximately 157,000 square feet for approximately \$18.5 million. The closing is scheduled to occur during the second quarter of 2002.

The following table sets forth the Company's invested capital (before valuation reserves) in RSVP controlled (REIT-qualified) joint ventures and amounts which were advanced under the RSVP Commitment to FrontLine, for its investment in RSVP controlled investments (in thousands):

	RSVP CONTROLLED JOINT VENTURES	AMOUNTS ADVANCED	TOTAL
	-----	-----	-----
Privatization	\$21,480	\$ 3,520	\$ 25,000
Student Housing	18,086	3,935	22,021
Medical Offices	20,185	--	20,185
Parking	--	9,091	9,091
Resorts	--	8,057	8,057
Net leased retail	--	3,180	3,180
Other assets and overhead	--	21,598	21,598
	-----	-----	-----
	\$59,751	\$49,381	\$109,132
	=====	=====	=====

Included in these investments is approximately \$18.9 million of cash that has been contributed to the respective RSVP controlled joint ventures or advanced under the RSVP Commitment to FrontLine and is being held, along with cash from the preferred investors.

Financing Activities

During 2001, the Company paid cash dividends on its Class A common stock of approximately \$1.62 per share and approximately \$2.50 per share on its Class B common stock.

The Board of Directors of the Company has authorized the purchase of up to an additional five million shares of the Company's Class B common stock and/or its Class A common stock. Transactions conducted on the New York Stock Exchange will be effected in accordance with the safe harbor provisions of the Securities Exchange Act of 1934 and may be terminated by the Company at any time. Previously, the Company purchased and retired 1,410,804 shares of Class B common stock at an average price of \$21.48 per Class B share and 61,704 shares of Class A common stock at an average price of \$23.03 per Class A share for an aggregate purchase price of approximately \$31.7 million.

During the year ended December 31, 2001, approximately 11,553 preferred units of limited partnership interest in the Operating Partnership, with a liquidation preference value of approximately \$11.6 million, were exchanged for 456,351 OP Units at an average price of \$25.32 per OP Unit. In addition, 660,370 OP Units were exchanged for an equal number of shares of the Company's

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Class A common stock.

Metropolitan is controlled by the Company. A minority partner owned an \$85 million preferred equity investment in Metropolitan which accrued distributions at a rate of 7.5% per annum for a two-year period (May 24, 1999 through May 30, 2001). On May 31, 2001, the minority partner, at its election, converted its preferred equity investment into 3,453,881 shares of the Company's Class A common stock based on a conversion price of \$24.61 per share. As a result of the minority partner's conversion of its preferred equity investment, the Company owns 100% of Metropolitan.

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As of December 31, 2001, the Company had a three year \$575 million unsecured revolving credit facility (the "Credit Facility") from JPMorgan Chase Bank, as administrative agent, UBS Warburg LLC as syndication agent and Deutsche Bank as documentation agent. The Credit Facility matures in September 2003 and borrowings under the Credit Facility are currently priced off LIBOR plus 105 basis points.

The Company utilizes the Credit Facility primarily to finance real estate investments, fund its real estate development activities and for working capital purposes. At December 31, 2001, the Company had availability under the Credit Facility to borrow an additional \$303.4 million (of which, \$37.4 million has been allocated for outstanding undrawn letters of credit). Subsequent to December 31, 2001, the Company paid down the Credit Facility by \$84.6 million which was received from the sale of a 49% interest in the property located at 919 Third Avenue, New York, NY and thereby increasing its availability under the Credit Facility to \$388 million.

On June 1, 2001, the Company refinanced a \$70 million short term variable rate mortgage note with a five year \$75 million fixed rate mortgage note, which bears interest at 6.52% per annum. In addition, on July 18, 2001, the Company refinanced a \$200 million short term variable rate mortgage note with a ten year \$250 million fixed rate mortgage note, which bears interest at 6.867% per annum. The net proceeds of approximately \$50.4 million received by the Company as a result of these refinancings was used to repay maturing fixed rate debt, the Credit Facility and for working capital purposes.

On July 24, 2001, the Company repaid a mortgage note in the amount of approximately \$15.5 million from a portion of the proceeds received from the secured debt financing of the property located at 919 Third Avenue, New York, NY. In addition, during the fourth quarter of 2001, the Company repaid two mortgage notes in the aggregate amount of approximately \$8.8 million through a draw under the Credit Facility and from available cash on hand.

Capitalization

The Company's indebtedness at December 31, 2001 totaled approximately \$1.3 billion (including its share of joint venture debt and net of minority partners' interests share of joint venture debt) and was comprised of \$271.6 million outstanding under the Credit Facility, approximately \$449.5 million of senior unsecured notes and approximately \$614.9 million of mortgage indebtedness with a weighted average interest rate of approximately 7.4% and a weighted average maturity of approximately 10.1 years. Based on the Company's total market capitalization of approximately \$3.3 billion at December 31, 2001 (calculated based on the sum of (i) the market value of the Company's Class A common stock and OP Units, assuming conversion, (ii) the market value of the Company's Class B common stock, (iii) the liquidation preference value of the

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Company's preferred stock, (iv) the liquidation preference value of the Operating Partnership's preferred units and (v) the \$1.3 billion of debt), the Company's debt represented approximately 41.1% of its total market capitalization. At December 31, 2001, the Company had approximately \$122 million of cash and cash equivalents on hand of which approximately \$98.4 million was generated from the sale of a 49% interest in one of its major CBD assets. On January 4, 2002, the Company repaid approximately \$85 million of its short-term debt from its cash and cash equivalents on hand.

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Contractual Obligations and Commercial Commitments

The following table sets forth the Company's significant debt obligations by scheduled principal cash flow payments and maturity date and its commercial commitments by scheduled maturity at December 31, 2001 (in thousands):

	MATURITY DATE					THEREAFTER
	2002	2003	2004	2005	2006	
Mortgage notes payable (1)	\$ 11,356	\$ 12,559	\$ 13,493	\$14,462	\$ 14,097	\$130,
Mortgage notes payable (2)	--	--	2,616	18,553	129,920	403,
Senior unsecured notes	--	--	100,000	--	--	350,
Unsecured credit facility	--	271,600	--	--	--	
Land lease obligations	2,688	2,687	2,811	2,814	2,795	49,
Air rights lease obligations	366	369	379	379	379	4,
	\$ 14,410	\$287,215	\$119,299	\$36,208	\$147,191	\$938,

(1) Scheduled principal amortization payments

(2) Principal payments due at maturity

Certain of the mortgage notes payable are guaranteed by certain limited partners in the Operating Partnership and/or the Company. In addition, consistent with customary practices in non-recourse lending, certain non-recourse mortgages may be recourse to the Company under certain limited circumstances including environmental issues and breaches of material representations.

In addition, at December 31, 2001, the Company had approximately \$24.3 million and \$13.1 million in outstanding undrawn standby letters of credit issued under the Credit Facility which expire in 2002 and 2003, respectively.

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The Company is also obligated to purchase, for approximately \$23.8 million, 52.7 acres of land located in Valhalla, NY on which the Company can develop approximately 875,000 square feet of office space. This acquisition will be financed in part from the sale proceeds of an office property currently being held by a qualified intermediary for the purposes of an exchange of real property pursuant to Section 1031 of the Internal Revenue Code of 1986 and is scheduled to close during the first quarter of 2002.

Thirteen of the Company's office properties and two of the Company's industrial properties which were acquired by the issuance of OP Units are subject to agreements limiting the Company's ability to transfer them prior to agreed upon dates without the consent of the limited partner who transferred the respective property to the Company. In the event the Company transfers any of these properties prior to the expiration of these limitations, the Company may be required to make a payment relating to taxes incurred by the limited partner. The limitations on nine of the properties expire prior to June 30, 2003. The limitations on the remaining properties expire between 2007 and 2013.

Eleven of the Company's office properties are held in joint ventures which contain certain limitations on transfer. These limitations include requiring the consent of the joint venture partner to transfer a property prior to various specified dates ranging from 2003 to 2005, rights of first offer, and buy/sell provisions.

Historically, rental revenue has been the principal source of funds to pay operating expenses, debt service and capital expenditures, excluding non-recurring capital expenditures of the Company. The Company expects to meet its short-term liquidity requirements generally through its net cash provided by operating activities along with the Credit Facility previously discussed. The Credit Facility contains

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several financial covenants with which the Company must be in compliance in order to borrow funds thereunder. The Company expects to meet certain of its financing requirements through long-term secured and unsecured borrowings and the issuance of debt and equity securities of the Company. In addition, the Company also believes that it will, from time to time, generate funds from the disposition of certain of its real estate properties or interests therein. The Company will refinance existing mortgage indebtedness or indebtedness under the Credit Facility at maturity or retire such debt through the issuance of additional debt securities or additional equity securities. The Company anticipates that the current balance of cash and cash equivalents and cash flows from operating activities, together with cash available from borrowings and equity offerings, will be adequate to meet the capital and liquidity requirements of the Company in both the short and long-term.

As a result of current economic conditions, certain companies who make up our tenant base have either not renewed their leases upon expiration or have paid the Company to terminate their leases. In addition, vacancy rates in our markets have been trending higher and in some instances our asking rents in our markets have been trending lower. Additionally, due to the events of September 11th, the Company anticipates higher operating expenses as they relate to certain insurance coverage and security measures.

In order to qualify as a REIT for federal income tax purposes, the Company is required to make distributions to its stockholders of at least 90% of REIT taxable income. The Company expects to use its cash flow from operating activities for distributions to stockholders and for payment of recurring,

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non-incremental revenue-generating expenditures. The Company intends to invest amounts accumulated for distribution in short-term investments.

On October 16, 2000, the Company's Board of Directors announced that it adopted a Shareholder Rights Plan (the "Rights Plan") designed to protect shareholders from various abusive takeover tactics, including attempts to acquire control of the Company at an inadequate price, depriving shareholders of the full value of their investment. A description of the Rights Plan is included in the Notes to Financial Statements of the Company.

INFLATION

The office leases generally provide for fixed base rent increases or indexed escalations. In addition, the office leases provide for separate escalations of real estate taxes, operating expenses and electric costs over a base amount. The industrial leases generally provide for fixed base rent increases, direct pass through of certain operating expenses and separate real estate tax escalations over a base amount. The Company believes that inflationary increases in expenses will be offset by contractual rent increases and expense escalations described above.

The Credit Facility bears interest at a variable rate, which will be influenced by changes in short-term interest rates, and is sensitive to inflation.

FUNDS FROM OPERATIONS

Management believes that funds from operations ("FFO") is an appropriate measure of performance of an equity REIT. FFO is defined by the National Association of Real Estate Investment Trusts ("NAREIT") as net income or loss, excluding gains or losses from debt restructuring and sales of properties plus depreciation and amortization, and after adjustments for unconsolidated partnerships and joint ventures. FFO does not represent cash generated from operating activities in accordance with GAAP and is not indicative of cash available to fund cash needs. FFO should not be considered as an alternative to net income as an indicator of the Company's operating performance or as an alternative to cash flow as a measure of liquidity. (See Selected Financial Data). FFO for the year ended December 31, 2001 excludes \$163 million of valuation reserves on investments in affiliate loans and joint ventures.

Since all companies and analysts do not calculate FFO in a similar fashion, the Company's calculation of FFO presented herein may not be comparable to similarly titled measures as reported by other companies.

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The following table presents the Company's FFO calculation for the years ended December 31 (in thousands):

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Income before minority interests, preferred dividends and distributions, valuation reserves and extraordinary loss	\$ 145,054
Less:	
Minority partners' interests in consolidated partnerships	15,975
Limited partners' minority interest in the operating partnership	(5,727)
Preferred dividends and distributions	23,977
Valuation reserves on investments in affiliate loans and joint ventures and other investments	166,101
Extraordinary loss, net of limited partners' minority interest in the operating partnership of \$303, \$175 and \$74, respectively	2,595
<hr/>	
Net income (loss) allocable to common shareholders	(57,867)
Adjustments for basic Funds From Operations	
Add:	
Limited partners' minority interest in the operating partnership	--
Real estate depreciation and amortization	100,967
Minority partners' interests in consolidated partnerships	15,975
Valuation reserves on investments in affiliate loans and joint ventures	163,000
Extraordinary loss, net of limited partners' minority interest in the operating partnership of \$303, \$175 and \$74, respectively	2,595
Less:	
Limited partners' minority interest in the operating partnership	5,727
Gain on sales of real estate	20,173
Amounts distributable to minority partners in consolidated partnerships	19,083
<hr/>	
Basic Funds From Operations	179,687
Add:	
Dividends and distributions on dilutive shares and units	26,601
<hr/>	
Diluted Funds From Operations	\$ 206,288
<hr/>	
Weighted Average Shares/OP Units outstanding (1)	66,057
<hr/>	
Diluted Weighted Average Shares/OP Units outstanding (1)	79,027
<hr/>	

 (1) Assumes conversion of limited partnership units of the Operating Partnership.

ITEM 7(A). QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

The primary market risk facing the Company is interest rate risk on its long term debt, mortgage notes and notes receivable. The Company will, when advantageous, hedge its interest rate risk using financial instruments. The Company is not subject to foreign currency risk.

The Company manages its exposure to interest rate risk on its variable rate indebtedness by borrowing on a short-term basis under its Credit Facility until such time as it is able to retire the short-term variable rate debt with either a long-term fixed rate debt offering, long term mortgage debt, equity offerings or through sales or partial sales of assets.

The Company will recognize all derivatives on the balance sheet at fair value. Derivatives that are not hedges will be adjusted to fair value through income. If a derivative is a hedge, depending on the nature of the hedge, changes in the fair value of the derivative will either be offset against the change in fair value of the hedged asset, liability or firm commitment through earnings, or recognized in other comprehensive income until the hedged item is recognized in earnings. The ineffective portion of a derivative's change in

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fair value will be immediately recognized in earnings.

The fair market value ("FMV") of the Company's long term debt, mortgage notes and notes receivable is estimated based on discounting future cash flows at interest rates that management believes reflects the risks associated with long term debt, mortgage notes and notes receivable of similar risk and duration.

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The following table sets forth the Company's long term debt obligations by scheduled principal cash flow payments and maturity date, weighted average interest rates and estimated FMV at December 31, 2001 (dollars in thousands):

	FOR THE YEAR ENDED DECEMBER 31				
	2002	2003	2004	2005	2006
Long term debt:					
Fixed rate	\$ 11,356	\$ 12,559	\$ 116,109	\$ 33,015	\$ 144,017
Weighted average interest rate	7.52%	7.50%	7.47%	6.92%	7.38%
Variable rate	\$ --	\$ 271,600	\$ --	\$ --	\$ --
Weighted average interest rate	--%	3.53%	--%	--%	--%
	THEREAFTER	TOTAL (1)	FMV		
Long term debt:					
Fixed rate	\$ 884,021	\$ 1,201,077	\$ 1,221,125		
Weighted average interest rate	7.34%	7.35%			
Variable rate	\$ --	\$ 271,600	\$ 271,600		
Weighted average interest rate	--%	3.53%			

(1) Includes unamortized issuance discounts of \$537 on the 5 and 10-year senior unsecured notes issued on March 26, 1999 which are due at maturity.

In addition, the Company has assessed the market risk for its variable rate debt, which is based upon LIBOR, and believes that a one percent increase in the LIBOR rate would have an approximate \$2.7 million annual increase in interest expense based on approximately \$271.6 million of variable rate debt outstanding at December 31, 2001.

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The following table sets forth the Company's mortgage notes and notes receivable by scheduled maturity date, weighted average interest rates and estimated FMV at December 31, 2001 (dollars in thousands):

	FOR THE YEAR ENDED DECEMBER 31					
	2002	2003	2004	2005	2006	THEREAFTER
Mortgage notes and notes receivable:						
Fixed rate	\$ 1,165	\$ --	\$ 36,500	\$ --	\$ --	\$ 16,990
Weighted average interest rate	9.00%	--%	10.23%	--%	--%	11.88%

(2) Excludes interest receivables aggregating approximately \$1,579.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The response to this item is included in a separate section of this Form 10-K.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

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PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

The information contained in the section captioned "Proposal I: Election of Directors" and "Section 16 Beneficial Ownership Reporting Compliance" of the Company's definitive proxy statement for the 2002 annual meeting of stockholders is incorporated herein by reference.

ITEM 11. EXECUTIVE COMPENSATION

The information contained in the section captioned "Executive Compensation" of the Company's definitive proxy statement for the 2002 annual meeting of stockholders is incorporated herein by reference, provided, however, that the report on Executive Compensation set forth therein shall not be incorporated by reference herein, in any of the Company's prior or future filings under the Securities Act of 1933 or the Securities Exchange Act of 1934, except to the extent the Company specifically incorporates such report by reference therein and shall not be otherwise deemed filed under either of such Acts.

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ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The information contained in the section captioned "Principal and Management Stockholders" of the Company's definitive proxy statement for the 2002 annual meeting of stockholders is incorporated herein by reference.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

The information contained in the section captioned "Certain Relationships and Related Transactions" of the Company's definitive proxy statement for the 2002 annual meeting of the stockholders is incorporated herein by reference.

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PART IV

ITEM 14. FINANCIAL STATEMENTS AND SCHEDULES, EXHIBITS AND REPORTS ON FORM 8-K

(a) (1 and 2) Financial Statements and Schedules

The following consolidated financial information is included as a separate section of this annual report on Form 10-K:

	PAGE

RECKSON ASSOCIATES REALTY CORP.	
Report of Independent Auditors	IV-5
Consolidated Balance Sheets as of December 31, 2001 and December 31, 2000	IV-6
Consolidated Statements of Operations for the years ended December 31, 2001, 2000 and 1999	IV-7
Consolidated Statements of Stockholders' Equity for the years ended December 31, 2001, 2000 and 1999.	IV-8
Consolidated Statements of Cash Flows for the years ended December 31, 2001, 2000 and 1999	IV-9
Notes to Consolidated Financial Statements	IV-10
Schedule III - Real Estate and Accumulated Depreciation	IV-31

All other schedules are omitted since the required information is not present in amounts sufficient to require submission of the schedule or because the information required is included in the financial statements and notes thereto.

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(3) Exhibits

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EXHIBIT NUMBER	FILING REFERENCE	DESCRIPTION
3.1	a	Amended and Restated Articles of Incorporation of the Registrant
3.2	i	Amended and Restated By-Laws of the Registrant
3.3	e	Articles Supplementary of the Registrant Establishing and Fixing the Rights of Shares of Preferred Stock filed with the Maryland State Department of Ass April 9, 1998
3.4	j	Articles Supplementary of the Registrant Establishing and Fixing the Rights of Shares of Common Stock filed with the Maryland State Department of Asses May 24, 1999
3.5	h	Articles Supplementary of the Registrant Establishing and Fixing the Rights of Shares of Preferred Stock filed with the Maryland State Department of Ass May 28, 1999
3.6	j	Articles of Amendment of the Registrant filed with the Maryland State Depart Taxation on January 4, 2000
3.7	j	Articles Supplementary of the Registrant filed with the Maryland State Depa Taxation on January 11, 2000
3.8	q	Articles Supplementary of the Registrant Establishing and Fixing the Rights of Shares of Preferred Stock filed with the Maryland State Department of Ass November 2, 2000
4.1	b	Specimen Share Certificate of Class A Common Stock
4.2	l	Specimen Share Certificate of Class B Exchangeable Common Stock
4.3	e	Specimen Share Certificate of Series A Preferred Stock
4.4	g	Form of 7.40% Notes due 2004 of Reckson Operating Partnership, L.P. (the "O
4.5	g	Form of 7.75% Notes due 2009 of the Operating Partnership
4.6	g	Indenture, dated March 26, 1999, among the Operating Partnership, the Regis New York, as trustee
4.7	k	Rights Agreement, dated as of October 13, 2000, between the Registrant and & Trust Company, as Rights Agent, which includes, as Exhibit A thereto, the Supplementary, as Exhibit B thereto, the Form of Right Certificate, and as Summary of Rights to Purchase Preferred Shares
10.1	a	Amended and Restated Agreement of Limited Partnership of the Operating Part
10.2	e	Supplement to the Amended and Restated Agreement of Limited Partnership of Partnership Establishing Series A Preferred Units of Limited Partnership In
10.3	e	Supplement to the Amended and Restated Agreement of Limited Partnership of Partnership Establishing Series B Preferred Units of Limited Partnership In
10.4	e	Supplement to the Amended and Restated Agreement of Limited Partnership of Partnership Establishing Series C Preferred Units of Limited Partnership In
10.5	e	Supplement to the Amended and Restated Agreement of Limited Partnership of Partnership Establishing Series D Preferred Units of Limited Partnership In
10.6	j	Supplement to the Amended and Restated Agreement of Limited Partnership of Partnership Establishing Series B Common Units of Limited Partnership Inter
10.7	j	Supplement to the Amended and Restated Agreement of Limited Partnership of Partnership Establishing Series E Preferred Partnership Units of Limited Pa
10.8	n	Supplement to the Amended and Restated Agreement of Limited Partnership of Partnership Establishing the Series F Junior Participating Preferred Partne
10.9	d	Third Amended and Restated Agreement of Limited Partnership of Omni Partner
10.10	k	Amendment and Restatement of Employment and Noncompetition Agreement, dated 2000, between the Registrant and Donald Rechler
10.11	k	Amendment and Restatement of Employment and Noncompetition Agreement, dated 2000, between the Registrant and Scott Rechler
10.12	k	Amendment and Restatement of Employment and Noncompetition Agreement, dated 2000, between the Registrant and Mitchell Rechler
10.13	k	Amendment and Restatement of Employment and Noncompetition Agreement, dated 2000, between the Registrant and Gregg Rechler
10.14	k	Amendment and Restatement of Employment and Noncompetition Agreement, dated

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10.15	k	2000, between the Registrant and Roger Rechler Amendment and Restatement of Employment and Noncompetition Agreement, dated 2000, between the Registrant and Michael Maturo
10.16	k	Amendment and Restatement of Employment and Noncompetition Agreement, dated 2000, between the Registrant and Jason Barnett
10.17	a	Purchase Option Agreements relating to the Reckson Option Properties
10.18	a	Purchase Option Agreements relating to the Other Option Properties
10.19	m	Amended and Restated 1995 Stock Option Plan
10.20	c	1996 Employee Stock Option Plan

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EXHIBIT NUMBER -----	FILING REFERENCE -----	DESCRIPTION -----
10.21	b	Ground Leases for certain of the properties
10.22	a	Indemnity Agreement relating to 100 Oser Avenue
10.23	m	Amended and Restated 1997 Stock Option Plan
10.24	d	1998 Stock Option Plan
10.25	d	Note Purchase Agreement for the Senior Unsecured Notes
10.26	k	Amendment and Restatement of Severance Agreement, dated as of August 15, 2000, between Registrant and Donald Rechler
10.27	k	Amendment and Restatement of Severance Agreement, dated as of August 15, 2000, between Registrant and Scott Rechler
10.28	k	Amendment and Restatement of Severance Agreement, dated as of August 15, 2000, between Registrant and Mitchell Rechler
10.29	k	Amendment and Restatement of Severance Agreement, dated as of August 15, 2000, between Registrant and Gregg Rechler
10.30	k	Amendment and Restatement of Severance Agreement, dated as of August 15, 2000, between Registrant and Roger Rechler
10.31	k	Amendment and Restatement of Severance Agreement, dated as of August 15, 2000, between Registrant and Michael Maturo
10.32	k	Amendment and Restatement of Severance Agreement, dated as of August 15, 2000, between Registrant and Jason Barnett
10.33	f	Intercompany Agreement by and between the Operating Partnership and Reckson Service Industries, Inc., dated May 13, 1998
10.34	j	Amended and Restated Credit Agreement dated as of August 4, 1999 between Reckson Service Industries, Inc., as borrower, and the Operating Partnership, as Lender, and Reckson Service Venture Partners, LLC ("RSVP Credit Agreement")
10.35	j	Amended and Restated Credit Agreement dated as of August 4, 1999 between Reckson Service Industries, Inc., as borrower, and the Operating Partnership, as Lender, and Reckson Service Industries, Inc. ("RSI Credit Agreement")
10.36	j	Letter Agreement, dated November 30, 1999, amending the RSVP Credit Agreement
10.37	o	Second Amendment to the Amended and Restated Credit Agreement, dated March 1, 2000, between the Operating Partnership and FrontLine Capital Group
10.38	p	Loan Agreement, dated as of June 1, 2001, between 1350 LLC, as Borrower, and Reckson Service Corporation, as Lender
10.39	p	Loan Agreement, dated as of July 18, 2001, between Metropolitan 919 3rd Avenue LLC, as Borrower, and Secore Financial Corporation, as Lender
10.40	k	\$575 million Credit Facility dated as of September 7, 2000 among Reckson Oser Associates, The Chase Manhattan Bank, UBS Warburg Dillon Read, Deutsche Bank and Chase Bank
10.41	k	Guaranty Agreement dated as of September 7, 2000 among the Registrant, The Operating Partnership, and UBS Warburg LLC
10.42	k	Operating Agreement dated as of September 28, 2000 between Reckson Tri-State Properties, LLC and Reckson Service Corporation

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10.43	n	(together with its permitted successors and assigns) and TIAA Tri-State LLC Agreement of Spreader, Consolidation and Modification of Mortgage Security Metropolitan 810 7th Ave., LLC, 100 Wall Company LLC and Monumental Life I
10.44	n	Consolidated, Amended and Restated Secured Promissory Note relating to Met LLC and 100 Wall Company LLC
10.45	r	Amended and Restated Operating Agreement of 919 JV LLC
12.1		Statement of Ratios of Earnings to Fixed Charges
21.1		Statement of Subsidiaries
23.0		Consent of Independent Auditors
24.1		Power of Attorney (included in Part IV of the Form 10-K)

- (a) Previously filed as an exhibit to the Registrant's Registration Statement Form S-11 (No. 333-74285) and incorporated herein by reference.
- (b) Previously filed as an exhibit to the Registrant's Registration Statement Form S-11 (No. 333-74285) and incorporated herein by reference.
- (c) Previously filed as an exhibit to the Registrant's Form 8-K report filed with the SEC on March 26, 2001 and incorporated herein by reference.
- (d) Previously filed as an exhibit to the Registrant's Form 10-K filed with the SEC on March 26, 2001 and incorporated herein by reference.
- (e) Previously filed as an exhibit to the Registrant's Form 8-K report filed with the SEC on March 26, 2001 and incorporated herein by reference.
- (f) Previously filed as an exhibit to the Registrant's Form 10-K filed with the SEC on March 26, 2001 and incorporated herein by reference.
- (g) Previously filed as an exhibit to the Registrant's Form 8-K filed with SEC on March 26, 2001 and incorporated herein by reference.
- (h) Previously filed as an exhibit to the Registrant's Form 8-K filed with SEC on June 7, 2001 and incorporated herein by reference.
- (i) Previously filed as an exhibit to the Registrant's Form 10-Q filed with the SEC on November 1, 2001 and incorporated herein by reference.
- (j) Previously filed as an exhibit to the Registrant's Form 10-K filed with the SEC on March 26, 2001 and incorporated herein by reference.
- (k) Previously filed as an exhibit to the Registrant's Form 8-K filed with the SEC on October 16, 2001 and incorporated herein by reference.
- (l) Previously filed as an exhibit to the Registrant's Form S-4 (No. 333-74285) and incorporated herein by reference.
- (m) Previously filed as an exhibit to the Registrant's Form 10-Q filed with the SEC on November 1, 2001 and incorporated herein by reference.
- (n) Previously filed as an exhibit to the Registrant's Form 10-K filed with the SEC on March 26, 2001 and incorporated herein by reference.
- (o) Previously filed as an exhibit to the Registrant's Form 10-Q filed with the SEC on May 1, 2001 and incorporated herein by reference.
- (p) Previously filed as an exhibit to the Registrant's Form 10-Q filed with the SEC on August 1, 2001 and incorporated herein by reference.
- (q) Included as an exhibit to Exhibit 4.7.
- (r) Previously filed as an exhibit to the Registrant's Form 8-K filed with the SEC on January 1, 2001 and incorporated herein by reference.

(B) REPORTS ON FORM 8-K:

On October 16, 2001, the Registrant filed a report on Form 8-K relating to the status of FrontLine Capital Group's indebtedness to the Operating Partnership

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On November 6, 2001, the Registrant submitted a report on Form 8-K under Item 9 thereof in order to submit its third quarter presentation.

On November 7, 2001, the Registrant submitted a report on Form 8-K under Item 9 thereof in order to submit supplemental operating and financial data for the third quarter.

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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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 on March 19, 2002.

RECKSON ASSOCIATES REALTY CORP.

By: /s/ Donald J. Rechler

 Donald J. Rechler,
 Chairman of the Board and
 Co-Chief Executive Officer

KNOW ALL MEN BY THESE PRESENTS, that we, the undersigned officers and directors of Reckson Associates Realty Corp. hereby severally constitute and appoint Scott H. Rechler, Mitchell D. Rechler and Michael Maturo, and each of them singly, our true and lawful attorneys-in-fact with full power to them, and each of them singly, to sign for us and in our names in the capacities indicated below, the Form 10-K filed herewith and any and all amendments to said Form 10-K, and generally to do all such things in our names and in our capacities as officers and directors to enable Reckson Associates Realty Corp. to comply with the provisions of the Securities Exchange Act of 1934, and all requirements of the Securities and Exchange Commission, hereby ratifying and confirming our signatures as they may be signed by our said attorneys, or any of them, to said Form 10-K and any and all amendments thereto.

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities indicated on March 19, 2002.

SIGNATURE -----	TITLE -----	SIGNATURE -----	TIT ---
/s/ Donald J. Rechler ----- Donald J. Rechler	Chairman of the Board, Co-Chief Executive Officer and Director (Principal Executive Officer)	/s/ Harvey R. Blau ----- Harvey R. Blau	Dire
/s/ Scott H. Rechler	Co-Chief Executive Officer		Dire

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----- Scott H. Rechler	and Director	----- Leonard Feinstein	
/s/ Mitchell D. Rechler ----- Mitchell D. Rechler	Co-President, Chief Administrative Officer and Director	----- Herve A. Kevenides	----- Dire
/s/ Gregg M. Rechler ----- Gregg M. Rechler	Co-President, Chief Operating Officer and Director	/s/ John V.N. Klein ----- John V.N. Klein	----- Dire
/s/ Michael Maturo ----- Michael Maturo	Executive Vice President, Treasurer and Chief Financial Officer (Principal Financial Officer and Principal Accounting Officer)	/s/ Lewis S. Ranieri ----- Lewis S. Ranieri	----- Dire
/s/ Roger M. Rechler ----- Roger M. Rechler	Executive Vice President, Vice-Chairman of the Board and Director	/s/ Conrad D. Stephenson ----- Conrad D. Stephenson	----- Dire

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REPORT OF INDEPENDENT AUDITORS

Board of Directors and Stockholders

Reckson Associates Realty Corp.

We have audited the accompanying consolidated balance sheets of Reckson Associates Realty Corp. as of December 31, 2001 and 2000, and the related consolidated statements of operations, stockholders' equity, and cash flows for each of the three years in the period ended December 31, 2001. We have also audited the financial statement schedule listed in the index at item 14(a). These financial statements and financial statement schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and financial statement schedule based on our audits.

We conducted our audits 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 statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. 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 audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Reckson

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Associates Realty Corp. at December 31, 2001 and 2000, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 2001, in conformity with accounting principles generally accepted in the United States. Also, in our opinion, the financial statement schedule referred to above, when considered in relation to the basic financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

ERNST & YOUNG LLP

New York, New York
February 20, 2002,
except for Note 13,
as to which the date
is March 13, 2002

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RECKSON ASSOCIATES REALTY CORP.
CONSOLIDATED BALANCE SHEETS
(IN THOUSANDS, EXCEPT SHARE AMOUNTS)

	DECEMBER
	----- 2001 -----
ASSETS	
Commercial real estate properties, at cost: (Notes 2, 3, 5 and 6)	
Land	\$ 408,837
Buildings and improvements	2,328,374
Developments in progress:	
Land	69,365
Development costs	74,303
Furniture, fixtures and equipment	7,725

	2,888,604
Less accumulated depreciation	(361,960)

	2,526,644
Investments in real estate joint ventures	5,744
Investment in mortgage notes and notes receivable (Note 6)	56,234
Cash and cash equivalents (Note 9)	121,975
Tenant receivables	9,633
Investments in service companies and affiliate loans and joint ventures (Note 8)	79,184
Deferred rents receivable	81,089
Prepaid expenses and other assets	45,495
Contract and land deposits and pre-acquisition costs	3,782
Deferred leasing and loan costs, less accumulated amortization of \$41,411 and \$32,773, respectively	64,438

Total Assets	\$ 2,994,218 =====
LIABILITIES	

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Mortgage notes payable (Note 2)	\$ 751,077
Unsecured credit facility (Note 3)	271,600
Senior unsecured notes (Note 4)	449,463
Accrued expenses and other liabilities	87,683
Dividends and distributions payable	32,988

Total Liabilities	1,592,811

Minority partners' interests in consolidated partnerships	242,698
Preferred unit interest in the operating partnership	30,965
Limited partners' minority interest in the operating partnership	81,887

	355,550

Commitments and contingencies (Notes 9,10 and 13)	--
STOCKHOLDERS' EQUITY (NOTE 7)	
Preferred Stock, \$.01 par value, 25,000,000 shares authorized	
Series A preferred stock, 9,192,000 shares issued and outstanding	92
Series B preferred stock, 2,000,000 shares issued and outstanding	20
Common Stock, \$.01 par value, 100,000,000 shares authorized	
Class A common stock, 49,982,377 and 45,352,286 shares issued and	
outstanding, respectively	500
Class B common stock, 10,283,513 shares issued and outstanding	103
Additional paid in capital	1,045,142

Total Stockholders' Equity	1,045,857

Total Liabilities and Stockholders' Equity	\$ 2,994,218
	=====

(see accompanying notes to financial statements)

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RECKSON ASSOCIATES REALTY CORP.
CONSOLIDATED STATEMENTS OF OPERATIONS
(IN THOUSANDS, EXCEPT SHARE AMOUNTS)

	FOR THE YE

	2001

REVENUES (NOTE 10):	
Base Rents	\$ 437,802
Tenant escalations and reimbursements	59,969
Equity in earnings of real estate joint ventures and service companies.	2,087
Interest income on mortgage notes and notes receivable	6,238
Gain on sales of real estate (Note 6)	20,173
Investment and other income	14,199

Total Revenues	540,468

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EXPENSES:	
Property operating expenses	168,664
Marketing, general and administrative	30,747
Interest	93,072
Depreciation and amortization	102,931

Total Expenses	395,414

Income before minority interests, preferred dividends and distributions, valuation reserves and extraordinary loss	145,054
Minority partners' interests in consolidated partnerships	(15,975)
Limited partners' minority interest in the operating partnership	5,727
Distributions to preferred unit holders	(2,111)
Valuation reserves on investments in affiliate loans and joint ventures and other investments (Notes 8 and 13)	(166,101)

Income (loss) before extraordinary loss and dividends to preferred shareholders	(33,406)
Extraordinary loss on extinguishment of debts, net of limited partners' minority interest share of \$303, \$175 and \$74, respectively	(2,595)

Net Income (loss)	(36,001)
Dividends to preferred shareholders	(21,866)

Net income (loss) allocable to common shareholders	\$ (57,867)
	=====
Net income (loss) allocable to:	
Class A common shareholders	\$ (44,243)
Class B common shareholders	(13,624)

Total	\$ (57,867)
	=====
Basic net income (loss) per weighted average common share:	
Class A common	\$ (.88)
Extraordinary loss per Class A common	(.04)

Basic net income (loss) per Class A common	\$ (.92)
	=====
Class B common	\$ (1.26)
Extraordinary loss per Class B common	(.06)

Basic net income (loss) per Class B common	\$ (1.32)
	=====
Basic weighted average common shares outstanding:	
Class A common	48,121,000
Class B common	10,284,000
Diluted net income (loss) per weighted average common share:	
Class A common	\$ (.92)
Class B common	\$ (1.32)
Diluted weighted average common shares outstanding:	
Class A common	48,121,000
Class B common	10,284,000

(see accompanying notes to financial statements)

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CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(IN THOUSANDS)

	CLASS A COMMON STOCK	CLASS B COMMON STOCK	SERIES A PREFERRED STOCK	SERIES B PREFERRED STOCK
	-----	-----	-----	-----
Stockholders' equity				
January 1, 1999	\$400	\$ --	\$ 92	\$ --
Net proceeds from				
preferred stock offering	--	--	--	60
Net proceeds from Class B				
common stock offering	--	117	--	--
Repurchases of Class B				
common stock	--	(14)	--	--
Redemption of OP Units	--	--	--	--
Net proceeds from long				
term compensation				
issuances	4	--	--	--
Net income	--	--	--	--
Dividends and distributions				
paid and payable	--	--	--	--
	----	-----	-----	-----
Stockholders' equity				
December 31, 1999	404	103	92	60
Conversion of Series B				
Preferred Stock	42	--	--	(40)
Redemption of OP Units	--	--	--	--
Net proceeds from long				
term compensation				
issuances	8	--	--	--
Net income	--	--	--	--
Dividends and distributions				
paid and payable	--	--	--	--
	----	-----	-----	-----
Stockholders' equity				
December 31, 2000	454	103	92	20
Issuance of OP Units	--	--	--	--
Redemption of OP Units	6	--	--	--
Net proceeds from long				
term compensation				
issuances	5	--	--	--
Issuance of Class A				
common Stock	35	--	--	--
Repurchases of Class A				
common Stock	--	--	--	--
Net loss	--	--	--	--
Dividends and distributions				
paid and payable	--	--	--	--
	----	-----	-----	-----
Stockholders' equity				
December 31, 2001	\$500	\$ 103	\$ 92	\$ 20
	=====	=====	=====	=====

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	ADDITIONAL PAID IN CAPITAL	RETAINED EARNINGS	TOTAL STOCKHOLDERS' EQUITY	LIMITED PARTNERS' MINORITY INTEREST
Stockholders' equity				
January 1, 1999	\$ 705,572	\$ --	\$ 706,064	\$ 94,125
Net proceeds from preferred stock offering	149,940	--	150,000	--
Net proceeds from Class B common stock offering	302,536	--	302,653	--
Repurchases of Class B common stock	(30,273)	--	(30,287)	--
Redemption of OP Units	--	--	--	(1,485)
Net proceeds from long term compensation issuances	1,593	--	1,597	--
Net income	--	60,277	60,277	9,333
Dividends and distributions paid and payable	(13,071)	(60,277)	(73,348)	(10,987)
Stockholders' equity				
December 31, 1999	1,116,297	--	1,116,956	90,986
Conversion of Series B Preferred Stock	(6,765)	--	(6,763)	6,763
Redemption of OP Units	--	--	--	(125)
Net proceeds from long term compensation issuances	6,656	--	6,664	--
Net income	--	86,030	86,030	11,494
Dividends and distributions paid and payable	(4,198)	(86,030)	(90,228)	(11,765)
Stockholders' equity				
December 31, 2000	1,111,990	--	1,112,659	97,353
Issuance of OP Units	--	--	--	11,557
Redemption of OP Units	15,412	--	15,418	(15,577)
Net proceeds from long term compensation issuances	6,423	--	6,428	--
Issuance of Class A common Stock	77,777	--	77,812	7,188
Repurchases of Class A common Stock	(1,421)	--	(1,421)	--
Net loss	--	(57,867)	(57,867)	(6,030)
Dividends and distributions paid and payable	(165,039)	57,867	(107,172)	(12,604)
Stockholders' equity				
December 31, 2001	\$ 1,045,142	\$ --	\$ 1,045,857	\$ 81,887

(see accompanying notes to financial statements)

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RECKSON ASSOCIATES REALTY CORP. CONSOLIDATED STATEMENTS OF CASH FLOWS (IN THOUSANDS)

	FOR THE YEAR
	----- 2001 -----
CASH FLOWS FROM OPERATING ACTIVITIES:	
Net Income (loss)	\$ (36,001)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:	
Depreciation and amortization	102,931
Extraordinary loss, net of minority interests	2,595
Minority partners' interests in consolidated partnerships	15,975
Limited partners' minority interest in the operating partnership	(5,727)
Gain on sales of real estate, securities and mortgage repayment	(20,173)
Valuation reserves on investments in affiliate loans and joint ventures and other investments	166,101
Equity in earnings of real estate joint ventures and service companies	(2,087)
Changes in operating assets and liabilities:	
Deferred rents receivable	(38,186)
Prepaid expenses and other assets	(4,925)
Tenant and affiliate receivables	1,878
Accrued expenses and other liabilities	3,607

Net cash provided by operating activities	185,988

CASH FLOWS FROM INVESTMENT ACTIVITIES:	
Purchases of commercial real estate properties	--
Investment in mortgage notes and notes receivable	--
Increase in contract deposits and pre-acquisition costs	(3,267)
Additions to developments in progress	(8,260)
Additions to commercial real estate properties	(152,074)
Payment of leasing costs	(10,513)
Distributions from investments in real estate joint ventures	82
Additions to furniture, fixtures and equipment	(635)
Investments in affiliate joint ventures	(25,056)
Proceeds from redemption of Keystone Property Trust preferred securities	35,700
Proceeds from sales of real estate, securities and mortgage note receivable repayments	76,503

Net cash used in investing activities	(87,520)

CASH FLOWS FROM FINANCING ACTIVITIES:	
Proceeds from secured borrowings	325,000
Principal payments on secured borrowings	(302,894)
Proceeds from issuance of senior unsecured notes, net of issuance costs	--
Proceeds from issuance of preferred stock, net of issuance costs	--
Payment of loan and equity issuance costs	(6,252)
Investments in affiliate loans and service companies	(12,388)
Proceeds from unsecured credit facility and term loan	153,000
Principal payments on unsecured credit facility and term loan	(98,000)
Repurchases of Class B common stock	--
Repurchases of Class A common stock	(1,421)

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Proceeds from issuance of common stock and exercise of options, net of issuance costs	2,813
Contributions by minority partners in consolidated partnerships	101,832
Distributions to minority partners in consolidated partnerships	(16,458)
Distributions to limited partners in the operating partnership	(12,395)
Distributions to preferred unit holders	(2,231)
Dividends to common shareholders	(103,118)
Dividends to preferred shareholders	(21,824)

Net cash provided by financing activities	5,664

Net increase (decrease) in cash and cash equivalents	104,132
Cash and cash equivalents at beginning of period	17,843

Cash and cash equivalents at end of period	\$ 121,975
	=====
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:	
Cash paid during the period for interest, including interest capitalized	\$ 105,087
	=====

(see accompanying notes to financial statements)

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RECKSON ASSOCIATES REALTY CORP.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2001

1. DESCRIPTION OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES

DESCRIPTION OF BUSINESS

Reckson Associates Realty Corp. (the "Company") is a self-administered and self managed real estate investment trust ("REIT") engaged in the ownership, management, operation, leasing and development of commercial real estate properties, principally office and industrial buildings and also owns land for future development (collectively, the "Properties") located in the New York tri-state area (the "Tri-State Area").

ORGANIZATION AND FORMATION OF THE COMPANY

The Company was incorporated in Maryland in September 1994. In June 1995, the Company completed an Initial Public Offering (the "IPO") and commenced operations.

The Company became the sole general partner of Reckson Operating Partnership, L.P. (the "Operating Partnership") by contributing substantially all of the net proceeds of the IPO, in exchange for an approximate 73% interest in the Operating Partnership. All Properties acquired by the Company are held by or through the Operating Partnership. In conjunction with the IPO, the Operating Partnership executed various option and purchase agreements whereby it issued common units of limited partnership interest in the Operating Partnership ("OP Units") to certain continuing investors in exchange for (i) interests in certain property partnerships, (ii) fee simple and leasehold interests in properties and development land, (iii) certain business assets of executive center entities and (iv) 100% of the non-voting preferred stock of

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the management and construction companies. At December 31, 2001, the Company's ownership percentage in the Operating Partnership is approximately 88.9%.

BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying consolidated financial statements include the consolidated financial position of the Company and the Operating Partnership at December 31, 2001 and 2000 and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2001. The Operating Partnership's investments in majority owned and/or controlled real estate joint ventures are reflected in the accompanying financial statements on a consolidated basis with a reduction for the minority partners' interest. The operating results of the service companies currently conducted by Reckson Management Group, Inc., RANY Management Group, Inc. and Reckson Construction Group, Inc. ("RCG") in which the Operating Partnership owns a non-controlling interest are reflected in the accompanying financial statements on the equity method of accounting. The Operating Partnership also invests in real estate joint ventures where it may own less than a controlling interest. Such investments are also reflected in the accompanying financial statements on the equity method of accounting. All significant intercompany balances and transactions have been eliminated in the consolidated financial statements.

The minority interests at December 31, 2001 represent an approximate 11.1% limited partnership minority interest in the Operating Partnership, a 49% interest in RT Tri-State LLC, owner of an eight property suburban office portfolio, a 40% interest in Omni Partners, L.P., owner of a 575,000 square foot suburban office property and a 49% interest in Metropolitan 919 Third Avenue, LLC, owner of the property located at 919 Third Avenue, New York, NY.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States ("GAAP") requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

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RECKSON ASSOCIATES REALTY CORP. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (CONTINUED)

1. DESCRIPTION OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES - (CONTINUED)

Real Estate

Depreciation is computed utilizing the straight-line method over the estimated useful lives of ten to thirty years for buildings and improvements and five to ten years for furniture, fixtures and equipment. Tenant improvements, which are included in buildings and improvements, are amortized on a straight-line basis over the term of the related leases.

Cash Equivalents

The Company considers highly liquid investments with a maturity of three months or less when purchased, to be cash equivalents.

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Tenant's lease security deposits aggregating approximately \$5.1 million and \$6.1 million at December 31, 2001 and 2000, respectively have been included in cash and cash equivalents on the accompanying balance sheets.

Deferred Costs

Tenant leasing commissions and related costs incurred in connection with leasing tenant space are capitalized and amortized over the life of the related lease. In addition, loan costs incurred in obtaining financing are capitalized and amortized over the term of the related loan.

Costs incurred in connection with equity offerings are charged to stockholders equity when incurred.

Income Taxes

Commencing with its taxable year ended December 31, 1995, the Company elected to be taxed as a REIT under the Internal Revenue Code of 1986. To qualify as a REIT, the Company must meet a number of organizational and operational requirements, including a requirement that it currently distribute at least 90% of its adjusted taxable income to its stockholders. It is management's current intention to adhere to these requirements and maintain the Company's REIT status. As a REIT, the Company generally will not be subject to corporate level federal income tax on taxable income it distributes currently to its stockholders. If the Company fails to qualify as a REIT in any taxable year, it will be subject to federal income taxes at regular corporate rates (including any applicable alternative minimum tax) and may not be able to qualify as a REIT for the subsequent four taxable years. Even if the Company qualifies for taxation as a REIT, the Company may be subject to certain state and local taxes on its income and property, and to federal income and excise taxes on its undistributed taxable income. In addition, taxable income from non-REIT activities managed through taxable REIT subsidiaries is subject to federal, state and local income taxes. (See Note 14 for the Company's reconciliation of GAAP net income to taxable income, its reconciliation of cash distributions to the dividends paid deduction and its characterization of taxable distributions).

Revenue Recognition

Minimum rental income is recognized on a straight-line basis over the term of a lease. The excess of rents recognized over amounts contractually due are included in deferred rents receivable on the accompanying balance sheets. Contractually due but unpaid rents are included in tenant receivables on the accompanying balance sheets. Certain lease agreements provide for reimbursement of real estate taxes, insurance, common area maintenance costs and indexed rental increases, which are recorded on an accrual basis.

The Company records interest income on investments in mortgage notes and notes receivable on an accrual basis of accounting. The Company does not accrue interest on impaired loans where, in the judgment of management, collection of interest according to the contractual terms is considered doubtful.

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1. DESCRIPTION OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES - (CONTINUED)

Among the factors the Company considers in making an evaluation of the collectibility of interest are: (i) the status of the loan, (ii) the value of the underlying collateral, (iii) the financial condition of the borrower and (iv) anticipated future events.

Gain on sales of real estate are recorded when title is conveyed to the buyer, subject to the buyer's financial commitment being sufficient to provide economic substance to the sale.

Earnings Per Share

In 1997, the Financial Accounting Standards Board ("FASB") issued Statement No. 128, "Earnings per Share" ("Statement 128") which replaced the calculation of primary and fully diluted earnings per share with basic and diluted earnings per share. Unlike primary earnings per share, basic earnings per share excludes any dilutive effects of options, warrants and convertible securities. Diluted earnings per share is very similar to the previously reported fully diluted earnings per share. All earnings per share amounts for all periods have been presented. The conversion of OP Units into Class A common stock would not have a significant effect on per share amounts as the OP Units share proportionately with the Class A common stock in the results of the Operating Partnership's operations.

Stock Options

The Company has elected to follow Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees" ("APB 25") and related interpretations in accounting for its employee stock options because, the alternative fair value accounting provided for under FASB Statement No. 123, "Accounting for Stock-Based Compensation," ("Statement 123") requires use of option valuation models that were not developed for use in valuing employee stock options. Under APB 25, no compensation expense is recognized upon the granting of stock options when the exercise price of the Company's employee stock options equals the market price of the underlying stock on the date of grant. The Company provides additional pro forma disclosures as required under Statement 123 (see Note 7).

Recent Pronouncements

FASB Statement No. 133, "Accounting for Derivative Instruments and Hedging Activities," which became effective January 1, 2001 requires the Company to recognize all derivatives on the balance sheet at fair value. Derivatives that are not hedges must be adjusted to fair value through income. If a derivative is a hedge, depending on the nature of the hedge, changes in the fair value of the derivative will either be offset against the change in fair value of the hedged asset, liability, or firm commitment through earnings, or recognized in accumulated other comprehensive income ("OCI") until the hedged item is recognized in earnings. The ineffective portion of a derivative's change in fair value will be immediately recognized in earnings. As of January 1, 2001, the carrying value of the Company's derivatives equaled their fair value and as a result no cumulative effect changes were recorded. Additionally, as of June 30, 2001, the fair value of the Company's derivatives equaled approximately \$3.7 million and was reflected in other assets and OCI on the Company's balance sheet. On July 18, 2001, the mortgage note payable to which these derivatives relate to was funded (see Note 2) and their fair value at that time was

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approximately \$676,000 less than their carrying value. This amount is being amortized to interest expense over the term of the mortgage note to which it relates. Because of the Company's minimal use of derivatives, the adoption of this Statement did not have a significant effect on earnings or the financial position of the Company.

In October 2001, the FASB issued Statement No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets" which supersedes FASB Statement No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed of"; however it retains the fundamental

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RECKSON ASSOCIATES REALTY CORP. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (CONTINUED)

1. DESCRIPTION OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES - (CONTINUED)

provisions of that statement related to the recognition and measurement of the impairment of long-lived assets to be "held and used". In addition, the Statement provides more guidance on estimating cash flows when performing a recoverability test, requires that a long-lived asset or asset group to be disposed of other than by sale (e.g. abandoned) be classified as "held and used" until it is disposed of, and establishes more restrictive criteria to classify an asset or asset group as "held for sale". The Company's management does not anticipate that the adoption of this statement will have an effect on the earnings or the financial position of the Company.

Reclassifications

Certain prior year amounts have been reclassified to conform to the current year presentation.

2. MORTGAGE NOTES PAYABLE

On June 1, 2001, the Company refinanced a \$70 million short-term variable rate mortgage note with a five year \$75 million fixed rate mortgage note, which bears interest at 6.52% per annum. In addition, on July 18, 2001, the Company refinanced a \$200 million short-term variable rate mortgage note with a ten year \$250 million fixed rate mortgage note, which bears interest at 6.867% per annum. As a result of these refinancings, certain unamortized loan costs were written-off and accounted for as an extraordinary loss on the accompanying statement of operations. The net proceeds of approximately \$50.4 million received by the Company as a result of these refinancings was used to repay maturing fixed rate debt, the Company's unsecured credit facility and for working capital purposes.

On July 24, 2001, the Company repaid a mortgage note in the amount of approximately \$15.5 million from a portion of the proceeds received from the secured debt financing of the property located at 919 Third Avenue, New York, NY. In addition, during the fourth quarter of 2001, the Company repaid two mortgage notes in the aggregate amount of approximately \$8.8 million through a draw under the Company's unsecured credit facility and from available cash on hand.

At December 31, 2001, there were 16 fixed rate mortgage notes payable with an aggregate outstanding principal amount of approximately \$751.1 million. Properties with an aggregate carrying value at December 31, 2001 of approximately \$1.5 billion are pledged as collateral against the mortgage notes

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payable. In addition, approximately \$46.1 million of the \$751.1 million is recourse to the Company. The mortgage notes bear interest at rates ranging from 6.45% to 10.10%, and mature between 2004 and 2027. The weighted average interest rates on the outstanding mortgage notes payable at December 31, 2001, 2000 and 1999 were approximately 7.3%, 7.8% and 7.6%, respectively. Certain of the mortgage notes payable are guaranteed by certain limited partners in the Operating Partnership and/or the Company.

Scheduled principal repayments to be made during the next five years and thereafter, for mortgage notes payable outstanding at December 31, 2001, are as follows (in thousands):

	SCHEDULED PRINCIPAL	DUE AT MATURITY	TOTAL
	-----	-----	-----
2002	\$ 11,356	\$ --	\$ 11,356
2003	12,559	--	12,559
2004	13,493	2,616	16,109
2005	14,462	18,553	33,015
2006	14,097	129,920	144,017
Thereafter	130,347	403,674	534,021
	-----	-----	-----
	\$ 196,314	\$ 554,763	\$ 751,077
	=====	=====	=====

3. UNSECURED CREDIT FACILITY

As of December 31, 2001, the Company had a three year \$575 million unsecured revolving credit facility (the "Credit Facility") from JPMorgan Chase Bank, as administrative agent, UBS Warburg LLC as syndication agent and Deutsche Bank as documentation agent. The Credit Facility matures in September 2003 and borrowings under the Credit Facility are currently priced off LIBOR plus 105 basis points.

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RECKSON ASSOCIATES REALTY CORP.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (CONTINUED)

3. UNSECURED CREDIT FACILITY - (CONTINUED)

The Company utilizes the Credit Facility primarily to finance real estate investments, fund its real estate development activities and for working capital purposes. At December 31, 2001, the Company had availability under the Credit Facility to borrow an additional \$303.4 million (of which, \$37.4 million has been allocated for outstanding undrawn letters of credit). Subsequent to December 31, 2001, the Company paid down the Credit Facility by \$84.6 million which was received from the sale of a 49% interest in the property located at 919 Third Avenue, New York, NY (see Note 6) and thereby increased its availability under the Credit Facility to \$388 million.

The Company capitalized interest incurred on borrowings to fund certain development projects in the amount of \$10.2 million, \$11.5 million and \$9.8 million for the years ended December 31, 2001, 2000 and 1999, respectively.

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4. SENIOR UNSECURED NOTES

As of December 31, 2001, the Operating Partnership had outstanding approximately \$449.5 million (net of issuance discounts) of senior unsecured notes (the "Senior Unsecured Notes"). The following table sets forth the Operating Partnership's Senior Unsecured Notes and other related disclosures (dollars in thousands):

ISSUANCE	FACE AMOUNT	COUPON RATE	TERM	MATURITY
August 27, 1997	\$150,000	7.20%	10 years	August 28, 2007
March 26, 1999	\$100,000	7.40%	5 years	March 15, 2004
March 26, 1999	\$200,000	7.75%	10 years	March 15, 2009

Interest on the Senior Unsecured Notes is payable semiannually with principal and unpaid interest due on the scheduled maturity dates. In addition, the Senior Unsecured Notes issued on March 26, 1999 were issued at an aggregate discount of \$738,000. Such discount is being amortized over the term of the Senior Unsecured Notes to which they relate.

5. LAND LEASES AND AIR RIGHTS

The Company leases, pursuant to noncancellable operating leases, the land on which twelve of its buildings were constructed. The leases, which contain renewal options, expire between 2009 and 2084. The leases either contain provisions for scheduled increases in the minimum rent at specified intervals or for adjustments to rent based upon the fair market value of the underlying land or other indexes at specified intervals. Minimum ground rent is recognized on a straight-line basis over the terms of the leases. The excess of amounts recognized over amounts contractually due is approximately \$3.0 million and \$2.7 million at December 31, 2001 and 2000, respectively. These amounts are included in accrued expenses and other liabilities on the accompanying balance sheets.

In addition, the Company, through the acquisition of certain properties, is subject to two air rights lease agreements. These lease agreements have terms expiring between 2048 and 2073, including renewal options.

Future minimum lease commitments relating to the land leases and air rights lease agreements during the next five years and thereafter are as follows (in thousands):

YEAR ENDED DECEMBER 31,	LAND LEASES	AIR RIGHTS
2002	\$ 2,688	\$ 366
2003	2,687	369

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2004	2,811	379
2005	2,814	379
2006	2,795	379
Thereafter	49,921	4,658
	-----	-----
	\$63,716	\$6,530
	=====	=====

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RECKSON ASSOCIATES REALTY CORP.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (CONTINUED)

5. LAND LEASES AND AIR RIGHTS - (CONTINUED)

During 2001, the Company, at its option, acquired the lessor's rights to the air rights lease agreement for the property located at 120 West 45th Street, New York, NY for approximately \$7.7 million. As a result, the Company's obligation to pay rent under this lease agreement was eliminated.

6. COMMERCIAL REAL ESTATE INVESTMENTS

As of December 31, 2001, the Company owned and operated 77 office properties (inclusive of eleven office properties owned through joint ventures) comprising approximately 13.8 million square feet, 103 industrial properties comprising approximately 6.8 million square feet and two retail properties comprising approximately 20,000 square feet located in the Tri-State Area.

The Company also owns approximately 254 acres of land in 12 separate parcels of which the Company can develop approximately two million square feet of office space and approximately 450,000 square feet of industrial space. The Company is also obligated to purchase, during the first quarter of 2002, 52.7 acres of land located in Valhalla, NY on which the Company can develop approximately 875,000 square feet of office space. In addition, the Company owns a 32 acre land parcel in Rye Brook, NY which is under contract for sale for approximately \$22.3 million. The closing is scheduled to occur during 2002.

The Company also owns a 357,000 square foot office building in Orlando, Florida and has invested approximately \$17.0 million in a note receivable secured by a partnership interest in Omni Partner's, L.P., owner of the Omni, a 575,000 square foot Class A office property located in Uniondale, NY and \$36.5 million under three notes which bear interest at rates ranging from 10.5% to 12% per annum and are secured by a minority partner's preferred unit interest in the Operating Partnership and certain real property.

On December 21, 2001, the Company formed a joint venture with the New York State Teachers' Retirement System ("NYSTRS") whereby NYSTRS acquired a 49% indirect interest in the property located at 919 Third Avenue, New York, NY for \$220.5 million which included \$122.1 million of its proportionate share of secured mortgage debt and approximately \$98.4 million of cash which was then distributed to the Company. As a result, the Company realized a gain of approximately \$18.9 million. Subsequent to December 31, 2001, net proceeds from this sale were used primarily to repay borrowings under the Credit Facility and for working capital purposes.

During the year ended December 31, 2001, the Company sold five office properties aggregating approximately 678,000 square feet for \$82.1 million, a 26,000 square foot industrial property for \$2.8 million and its remaining

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preferred interest in Keystone Property Trust for \$35.7 million. As a result of these sales the Company realized a net gain of approximately \$1.3 million. Net proceeds from these sales were used primarily to repay borrowings under the Credit Facility and to establish an escrow account with a qualified intermediary for a future exchange of real property pursuant to Section 1031 of the Internal Revenue Code of 1986. The Company has identified approximately 52.7 acres of land located in Valhalla, NY for the purposes of this exchange (see Note 13).

Subsequent to December 31, 2001, the Company entered into a contract to sell two Class A office properties, located in Westchester County, NY, aggregating approximately 157,000 square feet for approximately \$18.5 million. The closing is scheduled to occur during the second quarter of 2002.

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RECKSON ASSOCIATES REALTY CORP. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

7. STOCKHOLDERS' EQUITY

An OP Unit and a share of Class A common stock have essentially the same economic characteristics as they effectively share equally in the net income or loss and distributions of the Operating Partnership. Subject to certain holding periods OP Units may either be redeemed for cash or, at the election of the Company, for shares of Class A common stock on a one-for-one basis.

The Company currently has issued and outstanding 10,283,513 shares of Class B Exchangeable Common Stock, par value \$.01 per share (the "Class B common stock"). The shares of Class B common stock currently receive an annual dividend of \$2.5968 per share, which is subject to adjustment annually based on a formula which measures increases or decreases in the Company's Funds From Operations, as defined, over a base year. The shares of Class B common stock are exchangeable at any time, at the option of the holder, into an equal number of shares of Class A common stock, par value \$.01 per share, of the Company subject to customary antidilution adjustments. The Company, at its option, may redeem any or all of the Class B common stock in exchange for an equal number of shares of the Company's Class A common stock at any time following November 23, 2003.

The Board of Directors of the Company has authorized the purchase of up to an additional five million shares of the Company's Class B common stock and/or its Class A common stock. Transactions conducted on the New York Stock Exchange will be effected in accordance with the safe harbor provisions of the Securities Exchange Act of 1934 and may be terminated by the Company at any time. Previously, the Company had purchased and retired 1,410,804 shares of Class B common stock at an average price of \$21.48 per Class B share and 61,704 shares of Class A common stock at an average price of \$23.03 per Class A share for an aggregate purchase price of approximately \$31.7 million.

The Company currently has issued and outstanding 9,192,000 shares of 7.625% Series A Convertible Cumulative Preferred Stock (the "Series A preferred stock"). The Series A preferred stock is redeemable by the Company on or after April 13, 2003 at a price of approximately \$25.95 per share with such price decreasing, at annual intervals, to \$25.00 per share over a five year period. In addition, the Series A preferred stock, at the option of the holder, is convertible anytime into the Company's Class A common stock at a price of \$28.51 per share.

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The Company currently has issued and outstanding two million shares of Series B Convertible Cumulative Preferred Stock (the "Series B preferred stock"). The Series B preferred stock is redeemable by the Company as follows: (i) on or after March 2, 2002 to and including June 2, 2003, at an amount which provides an annual rate of return in respect to such share of 15%, (ii) on or after June 3, 2003 to and including June 2, 2004, \$25.50 per share and (iii) on or after June 3, 2004 and thereafter, \$25.00 per share. In addition, the Series B preferred stock, at the option of the holder, is convertible at anytime into the Company's Class A common stock at a price of \$26.05 per share. The Series B preferred stock currently accumulates dividends at a rate of 8.85% per annum.

During the year ended December 31, 2001, approximately 11,553 preferred units of the Operating Partnership, with a liquidation preference value of approximately \$11.6 million, were exchanged for 456,351 OP Units at an average price of \$25.32 per OP Unit. In addition, 660,370 OP Units were exchanged for an equal number of shares of the Company's Class A common stock.

In October 2000, the Company instituted a Shareholder Rights Plan (the "Rights Plan") designed to protect shareholders from various abusive takeover tactics, including attempts to acquire control of the Company at an inadequate price. Under the Rights Plan, each shareholder receives one Right to acquire one one-thousandth of a share of a series of junior participating preferred stock at an initial purchase price of \$84.44 for each share of the Company's outstanding Class A common stock owned. The Rights will be exercisable only if a person or group acquires, or announces an intention to acquire, 15% or more of the Company's Class A common stock, or announces a tender offer which would result in beneficial ownership by a person or group of 15% or more of the Class A common stock. If any person acquires 15% or more of the outstanding shares of Class A common stock or if the Company is acquired in a

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RECKSON ASSOCIATES REALTY CORP. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (CONTINUED)

7. STOCKHOLDERS' EQUITY - (CONTINUED)

merger after such an acquisition, all Rights holders except the acquiring person will be entitled to purchase the Company's Class A common stock at a discounted price. The Rights will expire at the close of business on October 13, 2010, unless earlier redeemed by the Company.

During July 1998, the Company formed Metropolitan Partners, LLC ("Metropolitan") for the purpose of acquiring Class A office properties in New York City. Metropolitan is controlled by the Company. A minority partner owned an \$85 million preferred equity investment in Metropolitan which accrued distributions at a rate of 7.5% per annum for a two-year period (May 24, 1999 through May 30, 2001). On May 31, 2001, the minority partner, at its election, converted its preferred equity investment into 3,453,881 shares of the Company's Class A common stock based on a conversion price of \$24.61 per share. As a result of the minority partner's conversion of their preferred equity investment, the Company owns 100% of Metropolitan.

The Company has made loans to certain executive officers to purchase 1,372,393 shares of its Class A common stock at market prices ranging from \$18.44 per share to \$27.13 per share. The loans bear interest at the mid-term Applicable Federal Rate and are secured by the shares purchased. Such loans including accrued interest will be ratably forgiven each year on the annual anniversary of the grant date based upon amortization periods ranging from four

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to ten years and in certain instances based on meeting certain performance criteria. Loans which are secured by 310,834 shares of Class A common stock are due with a balloon payment on the fifth anniversary of the grant date occurring in 2002. The loan balances aggregated approximately \$24.3 million and \$18.7 million at December 31, 2001 and 2000, respectively and have been included as a reduction of additional paid in capital on the accompanying consolidated statements of stockholders' equity.

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RECKSON ASSOCIATES REALTY CORP.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (CONTINUED)

7. STOCKHOLDERS' EQUITY - (CONTINUED)

The following table sets forth the Company's reconciliation of numerators and denominators of the basic and diluted earnings per weighted average common share and the computation of basic and diluted net income (loss) per weighted average share for the Company's Class A common stock as required by Statement 128 for the years ended December 31 (in thousands except for earnings per share data):

	2001 ----	2000 ----	
Numerator:			
Income (loss) before dividends to preferred shareholders, extraordinary loss and income allocated to Class B shareholders	\$ (33,406)	\$ 112,797	\$
Dividends to preferred shareholders	(21,866)	(25,371)	
Extraordinary loss (net of share applicable to limited partners and Class B common shareholders)	(1,971)	(1,032)	
(Income) loss allocated to Class B common shareholders	13,000	(23,405)	
	-----	-----	---
Numerator for basic and diluted net income (loss) per share	\$ (44,243)	\$ 62,989	\$
	=====	=====	==
Denominator:			
Denominator for basic net income (loss) per share- weighted average Class A common shares	48,121	43,070	
Effect of dilutive securities:			
Common stock equivalents	--	475	
	-----	-----	---
Denominator for diluted net income (loss) per Class A common share-adjusted weighted average shares and assumed conversions	48,121	43,545	
	=====	=====	==
Basic net income (loss) per Class A common share:			
Basic net income (loss) before extraordinary loss	\$ (.88)	\$ 1.49	\$
Extraordinary loss	(.04)	(.03)	
	-----	-----	---
Basic net income (loss) per Class A common share .	\$ (.92)	\$ 1.46	\$
	=====	=====	==

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Diluted net income (loss) per Class A common share:				
Diluted net income (loss) before extraordinary loss .	\$	(.88)	\$ 1.47	\$
Extraordinary loss		(.04)	(.02)	
		-----	-----	---
Diluted net income (loss) per Class A common share	\$	(.92)	\$ 1.45	\$
		=====	=====	==

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RECKSON ASSOCIATES REALTY CORP.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (CONTINUED)

7. STOCKHOLDERS' EQUITY - (CONTINUED)

The following table sets forth the Company's reconciliation of numerators and denominators of the basic and diluted earnings per weighted average common share and the computation of basic and diluted net income (loss) per weighted average share for the Company's Class B common stock as required by Statement 128 for the years ended December 31 (in thousands except for earnings per share data):

	2001	2000
	----	----
Numerator:		
Income (loss) before dividends to preferred shareholders, extraordinary loss and income allocated to Class A common shareholders	\$ (33,406)	\$ 112,797
Dividends to preferred shareholders	(21,866)	(25,371)
Extraordinary loss (net of share applicable to limited partners and Class A common shareholders)	(624)	(364)
(Income) loss allocated to Class A common shareholders	42,272	(64,021)
	-----	-----
Numerator for basic net income (loss) per share	(13,624)	23,041
Add back:		
Net income allocated to Class A common shareholders	--	62,989
Limited partners' minority interest in the operating partnership	--	11,669
	-----	-----
Numerator for diluted net income (loss) per share	\$ (13,624)	\$ 97,699
	=====	=====
Denominator:		
Denominator for basic net income (loss) per share-weighted average Class B common shares	10,284	10,284
Effect of dilutive securities:		
Weighted average Class A common shares outstanding	--	43,070
Weighted average OP Units outstanding	--	7,696
Common stock equivalents	--	475
	-----	-----
Denominator for diluted net income (loss) per Class B common		

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share-adjusted weighted average shares and assumed conversions	10,284	61,525
	=====	=====
Basic net income (loss) per Class B common share:		
Basic net income (loss) before extraordinary loss	\$ (1.26)	\$ 2.28
Extraordinary loss	(0.06)	(0.04)
	-----	-----
Basic net income (loss) per Class B common share	\$ (1.32)	\$ 2.24
	=====	=====
Diluted net income (loss) per Class B common share:		
Diluted net income (loss) before extraordinary loss	\$ (1.26)	\$ 1.62
Extraordinary loss	(0.06)	(0.03)
	-----	-----
Diluted net income (loss) per Class B common share	\$ (1.32)	\$ 1.59
	=====	=====

The Company's computation for purposes of calculating the diluted weighted average Class B common shares outstanding is based on the assumption that the Class B common stock is converted to the Company's Class A common stock.

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RECKSON ASSOCIATES REALTY CORP.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (CONTINUED)

7. STOCKHOLDERS' EQUITY - (CONTINUED)

Employee Stock Option Plans and Related Disclosures

The Company has established the 1995, 1996, 1997 and 1998 Employee Stock Option Plans (the "Plans") for the purpose of attracting and retaining executive officers, directors and other key employees. As of December 31, 2001, 1,500,000, 400,000, 3,000,000 and 3,000,000 of the Company's authorized Class A common shares have been reserved for issuance under the 1995, 1996, 1997 and 1998 Plans, respectively.

The following table sets forth the options granted under the Plans and their corresponding exercise price range per share:

	OPTIONS GRANTED (1)	EXERCISE PRICE RANGE	
		FROM (1)	TO (1)
	-----	-----	-----
1995 Employee Stock Option Plan	1,545,038	\$ 12.04	\$ 25.56
1996 Employee Stock Option Plan	262,100	\$ 19.63	\$ 26.13
1997 Employee Stock Option Plan	2,485,965	\$ 22.67	\$ 27.04
1998 Employee Stock Option Plan	2,280,501	\$ 17.75	\$ 25.67

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Total 6,573,604
=====

(1) Exercise prices have been split adjusted, where applicable.

Options granted to employees generally vest in three equal installments on the first, second and third anniversaries of the date of the grant.

The independent directors of the Company have been granted options to purchase 178,500 shares of Class A common stock pursuant to the 1995 Employee Stock Option Plan at exercise prices ranging from \$12.04 to \$25.56 per share and options to purchase 3,000 shares of Class A common stock pursuant to the 1997 Employee Stock Option Plan at an exercise price of \$25.23 per share. The options granted to the independent directors were exercisable on the date of the grant.

During 2001 and 2000, employees exercised 182,596 and 280,087 options, respectively resulting in proceeds to the Company of approximately \$2.8 million and \$4.2 million, respectively.

Pro forma information regarding net income and earnings per share is required by Statement 123, and has been determined as if the Company had accounted for its employee stock options under the fair value method of Statement 123. The fair value for these options was estimated at the date of grant using a Black-Scholes option pricing model with the following weighted-average assumptions for 2001, 2000 and 1999, respectively: risk-free interest rate of 5%; dividend yields of 7.52%, 7.31% and 8.23%; volatility factors of the expected market price of the Company's Class A common stock of .202 and a weighted-average expected life of the option of five years.

The Black-Scholes option valuation model was developed for use in estimating the fair value of traded options which have no vesting restrictions and are fully transferable. In addition, option valuation models require the input of highly subjective assumptions including the expected stock price volatility. Because the Company's employee stock options have characteristics significantly different from those of traded options and because changes in the subjective input assumptions can materially affect the fair value estimate, in management's opinion, the existing models do not necessarily provide a reliable single measure of the fair value of its employee stock options.

For purposes of pro forma disclosures, the estimated fair value of the options is amortized to expense over the options' vesting period.

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RECKSON ASSOCIATES REALTY CORP.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (CONTINUED)

7. STOCKHOLDERS' EQUITY - (CONTINUED)

The following table sets forth the Company's pro forma information for its Class A common stockholders for the years ended December 31:

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	2001	

Pro forma net income (loss) (in thousands)	\$ (44,719)	\$
	=====	==
Basic pro forma net income (loss) per weighted average share	\$ (.93)	\$
	=====	==
Diluted pro forma net income (loss) per weighted average share	\$ (.93)	\$
	=====	==

The following table summarizes the Company's stock option activity and related information:

	OPTIONS	WEIGHTED-AVERAGE EXERCISE PRICE
	-----	-----
Outstanding -- January 1, 1999	4,733,644	\$ 22.22
Granted	619,217	\$ 20.82
Exercised	(88,308)	\$ 13.99
Forfeited	(90,632)	\$ 23.44

Outstanding -- December 31, 1999	5,173,921	\$ 22.17
Granted	737,750	\$ 22.86
Exercised	(280,087)	\$ 13.00
Forfeited	(145,000)	\$ 22.50

Outstanding -- December 31, 2000	5,486,584	\$ 22.70
Granted	177,500	\$ 22.61
Exercised	(182,596)	\$ 15.41
Forfeited	(118,133)	\$ 22.84

Outstanding -- December 31, 2001	5,363,355	\$ 23.16
	=====	

The weighted average fair value of options granted for the years ended December 31, 2001, 2000 and 1999 was \$1.94, \$2.15 and \$2.10, respectively. In addition, there were 4,674,716 options at a weighted average per share exercise price of \$22.80, 4,498,828 options at a weighted average per share exercise price of \$22.70 and 5,137,588 options at a weighted average per share exercise price of \$22.17 exercisable at December 31, 2001, 2000 and 1999, respectively.

Exercise prices for options outstanding as of December 31, 2001 ranged from \$12.04 per share to \$27.04 per share. The weighted-average remaining contractual life of those options is approximately 6.67 years.

8. RELATED PARTY TRANSACTIONS

The Company, through its subsidiaries and affiliates, provides management, leasing and construction related services to its properties. Certain executive officers of the Company have continuing ownership interests in the unconsolidated service companies.

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In connection with the IPO, the Company was granted a ten year option period to acquire ten properties which are either owned by the Reckson Group, the predecessor to the Company, or in which the Reckson Group owns a non-controlling minority interest. As of December 31, 2001 one of these properties was sold by the Reckson Group to a third party and four of these properties were acquired by the Company for an aggregate purchase price of approximately \$35 million, which included the issuance of approximately 475,000 OP Units valued at approximately \$8.8 million.

During July 1999, the Company sold its interest in a 852,000 square foot development property to RCG in exchange for a \$12.3 million note. The note accrued interest annually at the rate of 12%, had a five-year maturity and was prepayable in whole or in part. During October 1999, RCG made a payment

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RECKSON ASSOCIATES REALTY CORP. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (CONTINUED)

8. RELATED PARTY TRANSACTIONS - (CONTINUED)

to the Company, in the form of 97 shares of its non-voting preferred stock, valued at approximately \$4.0 million, towards accrued interest and principal due under the note. During August 2001, RCG made a cash payment to the Company for the remaining balance due under the note plus accrued interest.

During 1997, the Company formed FrontLine Capital Group, formerly Reckson Service Industries, Inc., ("FrontLine") and Reckson Strategic Venture Partners, LLC ("RSVP"). RSVP is a real estate venture capital fund which invests primarily in real estate and real estate operating companies outside the Company's core office and industrial focus and whose common equity is held indirectly by FrontLine. In connection with the formation and spin-off of FrontLine, the Operating Partnership established an unsecured credit facility with FrontLine (the "FrontLine Facility") in the amount of \$100 million for FrontLine to use in its investment activities, operations and other general corporate purposes. The Company has advanced approximately \$93.4 million under the FrontLine Facility. The Operating Partnership also approved the funding of investments of up to \$100 million relating to RSVP (the "RSVP Commitment"), through RSVP-controlled joint ventures (for REIT-qualified investments) or advances made to FrontLine under an unsecured loan facility (the "RSVP Facility") having terms similar to the FrontLine Facility (advances made under the RSVP Facility and the FrontLine Facility hereafter, the "FrontLine Loans"). During March 2001, the Company increased the RSVP Commitment to \$110 million and as of December 31, 2001, approximately \$109.1 million had been funded through the RSVP Commitment, of which \$59.8 million represents investments by the Company in RSVP-controlled (REIT-qualified) joint ventures and \$49.3 million represents loans made to FrontLine under the RSVP Facility. As of December 31, 2001, interest accrued (net of reserves) under the FrontLine Facility and the RSVP Facility was approximately \$ 19.6 million.

At June 30, 2001, the Company assessed the recoverability of the FrontLine Loans and reserved approximately \$3.5 million of the interest accrued during the three-month period then ended. In addition, the Company formed a committee of its Board of Directors, comprised solely of independent directors, to consider any actions to be taken by the Company in connection with the FrontLine Loans and its investments in joint ventures with RSVP. During the third quarter of 2001, the Company noted a significant deterioration in FrontLine's operations and financial condition and, based on its assessment of

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value and recoverability and considering the findings and recommendations of the committee and its financial advisor, the Company recorded a \$163 million valuation reserve charge, inclusive of anticipated costs, in its consolidated statements of operations relating to its investments in the FrontLine Loans and joint ventures with RSVP. The Company has discontinued the accrual of interest income with respect to the FrontLine Loans. The Company has also reserved against its share of GAAP equity in earnings from the RSVP controlled joint ventures funded through the RSVP Commitment until such income is realized through cash distributions.

At December 31, 2001, the Company, pursuant to Section 166 of the Internal Revenue Code of 1986, charged off \$70 million of the aforementioned reserve directly related to the FrontLine Facility, including accrued interest. Subsequent to December 31, 2001, the Company charged off an additional \$38 million of the reserve directly related to the FrontLine Facility, including accrued interest and \$47 million of the reserve directly related to the RSVP Facility, including accrued interest.

FrontLine is in default under the FrontLine Loans from the Operating Partnership and has reported that it is currently in discussions with its creditors, including the Company, and that it may be required to seek protection from creditors under federal bankruptcy laws.

As a result of the foregoing, the net carrying value of the Company's investments in the FrontLine Loans and joint venture investments with RSVP, inclusive of the Company's share of previously accrued GAAP equity in earnings on those investments, is approximately \$65.0 million. Such amount has been reflected in investments in service companies and affiliate loans and joint ventures on the Company's consolidated balance sheet.

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RECKSON ASSOCIATES REALTY CORP. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (CONTINUED)

8. RELATED PARTY TRANSACTIONS - (CONTINUED)

Both the FrontLine Facility and the RSVP Facility have a term of five years, are unsecured and advances under each are recourse obligations of FrontLine. Notwithstanding the valuation reserve, under the terms of the credit facilities, interest accrues on the FrontLine Loans at a rate equal to the greater of (a) the prime rate plus two percent and (b) 12% per annum, with the rate on amounts that are outstanding for more than one year increasing annually at a rate of four percent of the prior year's rate. In March 2001, the credit facilities were amended to provide that (i) interest is payable only at maturity and (ii) the Company may transfer all or any portion of its rights or obligations under the credit facilities to its affiliates. The Company requested these changes as a result of changes in REIT tax laws.

In November 1999, the Company received 176,186 shares of the common stock of FrontLine as fees in connection with the FrontLine Loans. As a result of certain tax rule provisions included in the REIT Modernization Act, it was determined that the Company could no longer maintain any equity position in FrontLine. As part of a compensation program, the Company distributed these shares to certain non-executive employees subject to recourse loans. The loans were scheduled to be forgiven over time based on continued employment with the Company. Based on the current value of FrontLine's common stock the Company has established a valuation reserve charge relating to the outstanding balance of these loans in the amount of \$2.4 million.

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The Operating Partnership and FrontLine entered into an intercompany agreement (the "Reckson Intercompany Agreement") to formalize their relationship at the time of the spin-off of FrontLine and to limit conflicts of interest. Under the Reckson Intercompany Agreement, among other provisions, (i) FrontLine granted the Operating Partnership a right of first opportunity to make any REIT-qualified investment that becomes available to FrontLine and (ii) the Operating Partnership granted FrontLine a right to (a) provide the Operating Partnership and its tenants with commercial services for occupants of office, industrial and other property types and (b) become the lessee of any real property acquired by the Operating Partnership if the Operating Partnership determines that, consistent with the Company's status as a REIT, it is required to enter into a "master" lease agreement.

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RECKSON ASSOCIATES REALTY CORP. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (CONTINUED)

9. FAIR VALUE OF FINANCIAL INSTRUMENTS

In accordance with FASB Statement No. 107, "Disclosures About Fair Value of Financial Instruments", management has made the following disclosures of estimated fair value at December 31, 2001 as required by FASB Statement No. 107.

Cash equivalents and variable rate debt are carried at amounts which reasonably approximate their fair values.

The fair value of the Company's long-term debt, mortgage notes, accounts payable and accrued expenses and accounts and notes receivable is estimated based on discounting future cash flows at interest rates that management believes reflects the risks associated with long-term debt, mortgage notes, accounts payable and accrued expenses and accounts and notes receivable of similar risk and duration. At December 31, 2001, the estimated aggregate fair value of the Company's mortgage notes and notes receivable exceeded their carrying value by approximately \$1.2 million and the aggregate fair value of the Company's long term debt exceeded its carrying value by approximately \$20.0 million.

Considerable judgment is necessary to interpret market data and develop estimated fair value. The use of different market assumptions and/or estimation methodologies may have a material effect on the estimated fair value amounts.

10. RENTAL INCOME

The Company's office and industrial properties are being leased to tenants under operating leases. The minimum rental amount due under certain leases are generally either subject to scheduled fixed increases or indexed escalations. In addition, the leases generally also require that the tenants reimburse the Company for increases in certain operating costs and real estate taxes above base year costs.

Expected future minimum rents to be received over the next five years and thereafter from leases in effect at December 31, 2001 are as follows (in thousands):

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2002	\$ 403,421
2003	379,005
2004	350,930
2005	307,900
2006	258,663
Thereafter	1,315,340

	\$ 3,015,259
	=====

11. SEGMENT DISCLOSURE

The Company owns all of the interests in its real estate properties by or through the Operating Partnership. The Company's portfolio consists of Class A office properties located within the New York City metropolitan area and Class A suburban office and industrial properties located and operated within the Tri-State Area (the "Core Portfolio"). The Company's portfolio also includes one office property located in Orlando, Florida. The Company has managing directors who report directly to the Co-Presidents and Chief Financial Officer who have been identified as the Chief Operating Decision Makers because of their final authority over resource allocation, decisions and performance assessment.

The Company does not consider (i) interest incurred on its Credit Facility and Senior Unsecured Notes and (ii) the operating performance of the office property located in Orlando, Florida as part of its Core Portfolio's property operating performance.

The accounting policies of the reportable segments are the same as those described in the summary of significant accounting policies.

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RECKSON ASSOCIATES REALTY CORP.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (CONTINUED)

11. SEGMENT DISCLOSURE - (CONTINUED)

The following tables set forth the components of the Company's revenues and expenses and other related disclosures, as required by FASB Statement 131 "Disclosures about segments of an enterprise and related information", for the years ended December 31 (in thousands):

	2001		
	----- CORE PORTFOLIO -----	----- OTHER -----	----- CONSO -----
REVENUES:			
Base rents, tenant escalations and reimbursements .	\$ 488,515	\$ 9,256	\$
Equity in earnings of real estate joint ventures and service companies	--	2,087	

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Other income	28,772	11,838
	-----	-----
Total Revenues	517,287	23,181
	-----	-----
EXPENSES:		
Property expenses	165,730	2,934
Marketing, general and administrative	20,660	10,087
Interest	51,378	41,694
Depreciation and amortization	95,303	7,628
	-----	-----
Total Expenses	333,071	62,343
	-----	-----
Income (loss) before minority interests, preferred dividends and distributions, valuation reserves and extraordinary loss	\$ 184,216	\$ (39,162)
	=====	=====
Total assets	\$ 2,763,771	\$ 230,447
	=====	=====

	2000		
	CORE PORTFOLIO	OTHER	CONSOLIDATED
	-----	-----	-----
REVENUES:			
Base rents, tenant escalations and reimbursements	\$ 442,326	\$ 9,751	\$
Equity in earnings of real estate joint ventures and service companies	--	4,383	
Other income	1,212	52,266	
	-----	-----	-----
Total Revenues	443,538	66,400	
	-----	-----	-----
EXPENSES:			
Property expenses	154,930	2,526	
Marketing, general and administrative	20,606	6,765	
Interest	40,465	55,872	
Depreciation and amortization	84,401	8,146	
	-----	-----	-----
Total Expenses	300,402	73,309	
	-----	-----	-----
Income (loss) before minority interests, preferred dividends and distributions and extraordinary loss	\$ 143,136	\$ (6,909)	\$
	=====	=====	=====
Total assets	\$ 2,604,494	\$ 393,536	\$ 2,000,000
	=====	=====	=====

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RECKSON ASSOCIATES REALTY CORP.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (CONTINUED)

11. SEGMENT DISCLOSURE - (CONTINUED)

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	1999		
	CORE PORTFOLIO	OTHER	CONSO
REVENUES:			
Base rents, tenant escalations and reimbursements .	\$ 340,293	\$ 28,842	\$
Equity in earnings of real estate joint ventures and service companies	--	2,148	
Other income	448	31,422	
Total Revenues	340,741	62,412	
EXPENSES:			
Property expenses	119,270	6,724	
Marketing, general and administrative	16,981	7,312	
Interest	25,167	49,153	
Depreciation and amortization	64,097	10,407	
Total Expenses	225,515	73,596	
Income (loss) before minority interests, preferred dividends and distributions and extraordinary loss	\$ 115,226	\$ (11,184)	\$
Total assets	\$ 2,317,195	\$ 416,683	\$

12. NON-CASH INVESTING AND FINANCING ACTIVITIES

Additional supplemental disclosures of non-cash investing and financing activities are as follows:

On May 31, 2001, Metropolitan's minority partner, at its election, converted its preferred equity investment into 3,453,881 shares of the Company's Class A common stock based on a conversion price of \$24.61 per share.

On December 21, 2001, in connection with the sale of a 49% indirect interest in the property located at 919 Third Avenue, New York, NY, the Company's share of secured mortgage debt was reduced by approximately \$122.1 million.

During the year ended December 31, 2001, approximately 11,553 preferred units of the Operating Partnership, with a liquidation preference value of approximately \$11.6 million, were exchanged for 456,351 OP Units at an average price of \$25.32 per OP Unit. In addition, 660,370 OP Units were exchanged for an equal number of shares of the Company's Class A common stock.

On June 20, 2000, the Company issued 4,181,818 shares of Class A common stock in exchange for four million shares of Series B preferred stock with a liquidation preference value of \$100 million.

13. COMMITMENTS AND CONTINGENCIES

The Company has entered into amended and restated employment and noncompetition agreements with its chairman and six executive officers. The

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agreements are for five years and expire on August 15, 2005.

The Company is obligated to purchase, for approximately \$23.8 million, 52.7 acres of land located in Valhalla, NY on which the Company can develop approximately 875,000 square feet of office space. This acquisition will be financed in part from the sale proceeds of an office property currently being held by a qualified intermediary for the purposes of an exchange of real property pursuant to Section 1031 of the Internal Revenue Code of 1986 and is scheduled to close in the first quarter of 2002.

The Company had outstanding undrawn letters of credit against its Credit Facility of approximately \$37.4 million and \$51.3 million at December 31, 2001 and 2000, respectively.

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RECKSON ASSOCIATES REALTY CORP. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (CONTINUED)

13. COMMITMENTS AND CONTINGENCIES - (CONTINUED)

During 2001, based on the Company's value assessment of its investment in Captivate Network, Inc., an unrelated technology based service company, the Company recorded a valuation reserve charge of approximately \$700,000 in its consolidated statements of operations.

HQ Global Workplaces, Inc., ("HQ") one of the largest providers of flexible officing solutions in the world and which is controlled by FrontLine currently operates eleven executive office centers in the Company's properties, three of which are held through joint ventures. The leases under which these office centers operate expire between 2008 and 2011, encompass approximately 225,000 square feet and have current contractual annual base rents of approximately \$6.7 million. Currently, three of these office centers (including one joint venture location) aggregating 55,000 square feet with current contractual annual base rents of \$1.4 million are in default under their lease terms. In addition, HQ has been experiencing financial difficulties and on March 13, 2002, voluntarily filed a petition for relief under Chapter 11 of the U.S. Bankruptcy Code. There can be no assurances as to whether HQ will affirm or reject its existing leases with the Company. At this time it cannot be determined what impact their financial difficulties and bankruptcy filing will have on their ability to meet their future lease obligations with the Company.

The Company sponsors a defined contribution savings plan pursuant to section 401(k) of the Internal Revenue Code. Under such plan, there are no prior service costs. Employees are generally eligible to participate in the plan after six months of service. Employer contributions are based on a discretionary amount determined by the Company's management. As of December 31, 2001, the Company has not made any contributions to the plan.

14. INCOME TAXES

The following table sets forth the Company's reconciliation of GAAP net income to taxable income for the years ended December 31 (in thousands and unaudited):

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	2001 (ESTIMATED)	2000	1999
	-----	-----	-----
GAAP net income (loss)	\$ (36,001)	\$ 111,401	\$ 90,400
Minority interests and distributions to preferred unit holders	12,359	23,430	23,430
Extraordinary loss on extinguishment of debts (net of limited partners' minority interest)	2,595	1,396	1,396
Add: GAAP depreciation and amortization	102,931	92,547	92,547
Less: Tax depreciation and amortization	(74,127)	(57,293)	(57,293)
GAAP/tax difference on gains/losses from capital transactions	(10,097)	(8,255)	(8,255)
Straight-line rental income adjustment	(41,595)	(38,785)	(38,785)
GAAP/tax difference on reserve charge-off	93,000	--	--
Other GAAP/tax differences, net	10,189	6,445	6,445
	-----	-----	-----
Taxable income before minority interests	59,254	130,886	130,886
Minority interests	(20,246)	(31,083)	(31,083)
	-----	-----	-----
Taxable income to REIT	\$ 39,008	\$ 99,803	\$ 99,803
	=====	=====	=====

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RECKSON ASSOCIATES REALTY CORP.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (CONTINUED)

14. INCOME TAXES - (CONTINUED)

The following table sets forth the Company's reconciliation of cash distributions to the dividends paid deduction for the years ended December 31 (in thousands):

	2001 (ESTIMATED)	2000	1999
	-----	-----	-----
Total cash distributions	\$ 124,942	\$114,074	\$ 90,400
Less: Cash distributions on restricted shares	(1,560)	(1,059)	(4,000)
Return of capital	(74,691)	--	--
	-----	-----	-----
Cash dividends paid	48,691	113,015	89,900
Less: dividends designated to prior year	--	(8,688)	(3,300)
Add: dividends designated from following year	--	--	8,600
	-----	-----	-----
Dividends paid deduction	\$ 48,691	\$104,327	\$ 95,200
	=====	=====	=====

The following table sets forth the characterization of the Company's

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taxable distributions per share on its Class A common and Class B common stock for the years ended December 31:

	2001 (ESTIMATED)		2000	
CLASS A COMMON STOCK				
Ordinary income	\$.349	21.5%	\$ 1.364	90.0%
Return of capital	1.192	73.5%	0.000	0.0%
Long-term rate capital gains .....	.019	1.2%	0.086	5.7%
Unrecaptured Section 1250 gain .....	.061	3.8%	0.065	4.3%
	-----	-----	-----	-----
Totals	\$ 1.621	100.0%	\$ 1.515	100.0%
	=====	=====	=====	=====

	2001 (ESTIMATED)		2000	
CLASS B COMMON STOCK				
Ordinary income	\$.537	21.5%	\$ 2.090	90.0%
Return of capital	1.838	73.5%	0.000	0.0%
Long-term rate capital gains .....	.029	1.2%	0.131	5.7%
Unrecaptured Section 1250 gain094	3.8%	0.099	4.3%
	-----	-----	-----	-----
Totals	\$ 2.498	100.0%	\$ 2.320	100.0%
	=====	=====	=====	=====

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RECKSON ASSOCIATES REALTY CORP.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (CONTINUED)

15. QUARTERLY FINANCIAL DATA (UNAUDITED)

The following summary represents the Company's results of operations for each fiscal quarter during 2001 and 2000 (in thousands, except share amounts):

	2001		
	FIRST QUARTER	SECOND QUARTER	THIRD QUARTER
Total revenues	\$ 130,886	\$ 132,387	\$ 133,027

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	=====	=====	=====
Income before preferred dividends and distributions, minority interests, valuation reserves and extraordinary loss	\$ 35,243	\$ 32,368	\$ 31,079
Preferred dividends and distributions	(6,085)	(5,928)	(5,996)
Minority interests	(8,470)	(6,681)	11,592
Valuation reserves on investments in affiliate loans and joint ventures and other investments	--	--	(163,000)
Extraordinary loss	--	--	(2,595)
	-----	-----	-----
Net income (loss) allocable to common shareholders	\$ 20,688	\$ 19,759	\$ (128,920)
	=====	=====	=====
Net income (loss) allocable to:			
Class A common shareholders	\$ 15,308	\$ 15,109	\$ (97,944)
Class B common shareholders	5,380	4,650	(30,976)
	-----	-----	-----
Total	\$ 20,688	\$ 19,759	\$ (128,920)
	=====	=====	=====
Basic net income (loss) per weighted average common share:			
Class A common	\$.34	\$.32	\$ (1.93)
Extraordinary loss per Class A common	--	--	(.04)
	-----	-----	-----
Basic net income (loss) per weighted average Class A commonshare	\$.34	\$.32	\$ (1.97)
	=====	=====	=====
Class B common	\$.52	\$.45	\$ (2.95)
Extraordinary loss per Class B common	--	--	(.06)
	-----	-----	-----
Basic net income (loss) per weighted average Class B common	\$.52	\$.45	\$ (3.01)
	=====	=====	=====
Basic weighted average common shares outstanding:			
Class A common	45,483,544	47,221,917	49,715,423
Class B common	10,283,513	10,283,513	10,283,513
Diluted net income (loss) per weighted average common share:			
Class A common	\$.33	\$.32	\$ (1.97)
Class B common	\$.37	\$.34	\$ (3.01)
Diluted weighted average common shares outstanding:			
Class A common	45,949,816	47,600,390	49,715,423
Class B common	10,283,513	10,283,513	10,283,513

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RECKSON ASSOCIATES REALTY CORP.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (CONTINUED)

15. QUARTERLY FINANCIAL DATA (UNAUDITED) - (CONTINUED)

2000

FIRST QUARTER SECOND QUARTER THIRD QUARTER

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Total revenues	\$ 117,659	\$ 125,455	\$ 140,000
Income before preferred dividends and distributions, minority interests and extraordinary loss	\$ 28,080	\$ 35,836	\$ 43,000
Preferred dividends and distributions	(7,985)	(7,857)	(6,000)
Minority interests	(4,253)	(5,008)	(5,000)
Extraordinary loss	--	--	(1,000)
Net income allocable to common shareholders	\$ 15,842	\$ 22,971	\$ 29,000
Net income allocable to:			
Class A common shareholders	\$ 11,446	\$ 16,655	\$ 22,000
Class B common shareholders	4,396	6,316	7,000
Total	\$ 15,842	\$ 22,971	\$ 29,000
Basic net income per weighted average common share:			
Class A common	\$.28	\$.40	\$.40
Extraordinary loss per Class A common	--	--	(.00)
Basic net income per weighted average Class A common	\$.28	\$.40	\$.40
Class B common	\$.43	\$.61	\$.61
Extraordinary loss per Class B common	--	--	(.00)
Basic net income per weighted average Class B common .....	.43	.61	.61
Basic weighted average common shares outstanding:			
Class A common	40,382,182	41,343,118	45,178,000
Class B common	10,283,598	10,283,513	10,283,000
Diluted net income per weighted average common share:			
Class A common	\$.28	\$.40	\$.40
Class B common	\$.31	\$.44	\$.44
Diluted weighted average common shares outstanding:			
Class A common	40,709,045	41,700,478	49,818,000
Class B common	10,283,598	10,283,513	10,283,000

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RECKSON ASSOCIATES REALTY CORP.
SCHEDULE III-REAL ESTATE AND ACCUMULATED DEPRECIATION
DECEMBER 31, 2001
(IN THOUSANDS)

COLUMN A

COLUMN B

COLUMN C

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DESCRIPTION	ENCUMBRANCE	INITIAL COST	
		LAND	BUILDING IMPROVEMENTS
Vanderbilt Industrial Park, Hauppauge, New York (27 buildings in an industrial park)	--	\$ 1,940	\$ 9
85 Nikon Court, Hauppauge, New York	--	797	2
104 Parkway Drive So., Hauppauge, New York	--	54	
125 Ricefield Lane, Hauppauge, New York	--	13	
110 Ricefield Lane, Hauppauge, New York	--	33	1
120 Ricefield Lane, Hauppauge, New York	--	16	1
135 Ricefield Lane, Hauppauge, New York	--	24	
1997 Portfolio Acquisition, Hauppauge, New York (10 additional buildings in Vanderbilt Industrial Park)	--	930 (B)	20
425 Rabro Drive, Hauppauge, New York	--	665	3
600 Old Willets Path, Hauppauge, New York	--	295	3
Airport International Plaza, Islip, New York (17 buildings in an industrial park)	2,616 (C)	1,263	13
120 Wilbur Place, Islip, New York	--	202	1
2004 Orville Drive North, Islip, New York	--	633	4
2005 Orville Drive North, Islip, New York	--	984	5
County Line Industrial Center, Melville, New York (3 buildings in an industrial park)	--	628	3
30 Hub Drive, Melville, New York	--	469	1
32 Windsor Place, Islip, New York	--	32	
42 Windsor Place, Islip, New York	--	48	
505 Walt Whitman Rd., Huntington, New York	--	140	
1170 Northern Blvd., N. Great Neck, New York	--	30	
50 Charles Lindbergh Blvd., Mitchel Field, New York	--	(A)	12
200 Broadhollow Road, Melville, New York	--	338	3
48 South Service Road, Melville, New York	--	1,652	10
395 North Service Road, Melville, New York	20,117	(A)	15
6800 Jericho Turnpike, Syosset, New York	14,131	582	6
6900 Jericho Turnpike, Syosset, New York	7,458	385	4

DESCRIPTION	COLUMN A		COLUMN D		COLUMN E
	ENCUMBRANCE	INITIAL COST	COST CAPITALIZED, SUBSEQUENT TO ACQUISITION	GROSS AMOUNT CARRIED AT CL	
DESCRIPTION	ENCUMBRANCE	LAND	BUILDINGS AND IMPROVEMENTS	LAND	BUILDING IMPROVEMENTS
Vanderbilt Industrial Park, Hauppauge, New York (27 buildings in an industrial park)	--		11,434	1,940	21,
85 Nikon Court, Hauppauge, New York	--		64	797	2,
104 Parkway Drive So., Hauppauge, New York	--		200	54	1,
125 Ricefield Lane, Hauppauge, New York	--		330	13	1,
110 Ricefield Lane, Hauppauge, New York	1		57	34	1,
120 Ricefield Lane, Hauppauge, New York	--		422	16	1,
135 Ricefield Lane, Hauppauge, New York	--		473	24	1,
1997 Portfolio Acquisition, Hauppauge, New York (10 additional buildings in Vanderbilt Industrial					

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Park)	--	3,451	930	24,
425 Rabro Drive, Hauppauge, New York	--	398	665	3,
600 Old Willets Path, Hauppauge, New York	--	727	295	4,
Airport International Plaza, Islip, New York				
(17 buildings in an industrial park)	--	11,346	1,263	24,
120 Wilbur Place, Islip, New York	8	232	210	1,
2004 Orville Drive North, Islip, New York	--	1,431	633	5,
2005 Orville Drive North, Islip, New York	--	1,176	984	6,
County Line Industrial Center, Melville, New York				
(3 buildings in an industrial park)	--	2,843	628	6,
30 Hub Drive, Melville, New York	--	322	469	1,
32 Windsor Place, Islip, New York	--	46	32	
42 Windsor Place, Islip, New York	--	548	48	
505 Walt Whitman Rd., Huntington, New York	--	59	140	
1170 Northern Blvd., N. Great Neck, New York	--	34	30	
50 Charles Lindbergh Blvd., Mitchel Field, New York	--	5,564	0	17,
200 Broadhollow Road, Melville, New York	--	3,538	338	6,
48 South Service Road, Melville, New York	--	5,382	1,652	15,
395 North Service Road, Melville, New York	--	7,474	0	23,
6800 Jericho Turnpike, Syosset, New York	--	10,230	582	16,
6900 Jericho Turnpike, Syosset, New York	--	3,743	385	7,

COLUMN A	COLUMN G	COLUMN H	COLUMN I
DESCRIPTION	DATE OF CONSTRUCTION	DATE ACQUIRED	LIFE ON WHICH DEPRECIATION IS COMPUTED
Vanderbilt Industrial Park, Hauppauge, New York			
(27 buildings in an industrial park)	1961-1979	1961-1979	10-30 Years
85 Nikon Court, Hauppauge, New York	1984	1995	10-30 Years
104 Parkway Drive So., Hauppauge, New York	1985	1996	10-30 Years
125 Ricefield Lane, Hauppauge, New York	1973	1996	10-30 Years
110 Ricefield Lane, Hauppauge, New York	1980	1996	10-30 Years
120 Ricefield Lane, Hauppauge, New York	1983	1996	10-30 Years
135 Ricefield Lane, Hauppauge, New York	1981	1996	10-30 Years
1997 Portfolio Acquisition, Hauppauge, New York			
(10 additional buildings in Vanderbilt Industrial			
Park)	1974-1982	1997	10-30 Years
425 Rabro Drive, Hauppauge, New York	1980	1997	10-30 Years
600 Old Willets Path, Hauppauge, New York	1999	1999	10-30 Years
Airport International Plaza, Islip, New York			
(17 buildings in an industrial park)	1970-1988	1970-1988	10-30 Years
120 Wilbur Place, Islip, New York	1972	1998	10-30 Years
2004 Orville Drive North, Islip, New York	1998	1996	10-30 Years
2005 Orville Drive North, Islip, New York	1999	1996	10-30 Years
County Line Industrial Center, Melville, New York			
(3 buildings in an industrial park)	1975-1979	1975-1979	10-30 Years
30 Hub Drive, Melville, New York	1976	1996	10-30 Years
32 Windsor Place, Islip, New York	1971	1971	10-30 Years
42 Windsor Place, Islip, New York	1972	1972	10-30 Years
505 Walt Whitman Rd., Huntington, New York	1950	1968	10-30 Years
1170 Northern Blvd., N. Great Neck, New York	1947	1962	10-30 Years
50 Charles Lindbergh Blvd., Mitchel Field, New York	1984	1984	10-30 Years

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200 Broadhollow Road, Melville, New York	1981	1981	10-30 Years
48 South Service Road, Melville, New York	1986	1986	10-30 Years
395 North Service Road, Melville, New York	1988	1988	10-30 Years
6800 Jericho Turnpike, Syosset, New York	1977	1978	10-30 Years
6900 Jericho Turnpike, Syosset, New York	1982	1982	10-30 Years

Continued

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RECKSON ASSOCIATES REALTY CORP.
 SCHEDULE III-REAL ESTATE AND ACCUMULATED DEPRECIATION
 DECEMBER 31, 2001 (CONTINUED)
 (IN THOUSANDS)

COLUMN A ----- DESCRIPTION -----	COLUMN B ENCUMBRANCE	COLUMN C ----- INITIAL COST -----	
		LAND	BUILDINGS IMPROVEMENTS
300 Motor Parkway, Hauppauge, New York	--	276	1,136
88 Duryea Road Melville, New York	--	200	1,565
210 Blydenburgh Road, Islandia, New York	--	11	158
208 Blydenburgh Road, Islandia, New York	--	12	192
71 Hoffman Lane, Islandia, New York	--	19	260
933 Motor Parkway, Hauppauge, New York	--	106	375
65 and 85 South Service Road, Plainview, New York .	--	40	218
333 Earl Ovington Blvd., (Omni), Mitchel Field, New York	54,785	(A)	67,221
135 Fell Court, Islip, New York	--	462	1,265
40 Cragwood Road, South Plainfield, New Jersey	--	725	7,131
110 Marcus Drive, Huntington, New York	--	390	1,499
333 East Shore Road, Great Neck, New York	--	(A)	564
310 East Shore Road, Great Neck, New York	--	485	2,009
70 Schmitt Blvd., Farmingdale, New York	--	727	3,408
19 Nicholas Drive, Yaphank, New York	--	160	7,399
1516 Motor Parkway, Hauppauge, New York	--	603	6,722
35 Pinelawn Road, Melville, New York	--	999	7,073
520 Broadhollow Road, Melville, New York	--	457	5,572
1660 Walt Whitman Road, Melville, New York	--	370	5,072
70 Maxess Road, Melville, New York	--	367	1,859
20 Melville Park Rd., Melville, New York	--	391	2,650
105 Price Parkway, Farmingdale, New York	--	2,030	6,327
48 Harbor Park Drive, Port Washington, New York	--	1,304	2,247
60 Charles Lindbergh, Mitchel Field, New York	--	(A)	20,800
235 Main Street, White Plains, New York	--	933	5,375
245 Main Street, White Plains, New York	--	1,235	7,284
505 White Plains Road, Tarrytown, New York	--	210	1,332
555 White Plains Road, Tarrytown, New York	--	712	4,133
560 White Plains Road, Tarrytown, New York	--	1,521	8,756
580 White Plains Road, Tarrytown, New York	12,879	2,414	14,595

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COLUMN A	COLUMN D			
DESCRIPTION	COST CAPITALIZED, SUBSEQUENT TO ACQUISITION		GROSS A CARRIED A	
	LAND	BUILDINGS AND IMPROVEMENTS	LAND	BU IM
300 Motor Parkway, Hauppauge, New York	--	1,695	276	
88 Duryea Road Melville, New York	--	843	200	
210 Blydenburgh Road, Islandia, New York	--	167	11	
208 Blydenburgh Road, Islandia, New York	--	188	12	
71 Hoffman Lane, Islandia, New York	--	172	19	
933 Motor Parkway, Hauppauge, New York	--	396	106	
65 and 85 South Service Road, Plainview, New York .	--	17	40	
333 Earl Ovington Blvd., (Omni), Mitchel Field, New York	--	20,517	0	
135 Fell Court, Islip, New York	--	273	462	
40 Cragwood Road, South Plainfield, New Jersey	--	6,217	725	
110 Marcus Drive, Huntington, New York	--	107	390	
333 East Shore Road, Great Neck, New York	--	357	0	
310 East Shore Road, Great Neck, New York	--	1,852	485	
70 Schmitt Blvd., Farmingdale, New York	--	33	727	
19 Nicholas Drive, Yaphank, New York	--	6,136	160	
1516 Motor Parkway, Hauppauge, New York	--	379	603	
35 Pinelawn Road, Melville, New York	--	2,500	999	
520 Broadhollow Road, Melville, New York	(1)	2,633	456	
1660 Walt Whitman Road, Melville, New York	--	718	370	
70 Maxess Road, Melville, New York	95	2,957	462	
20 Melville Park Rd., Melville, New York	--	101	391	
105 Price Parkway, Farmingdale, New York	--	469	2,030	
48 Harbor Park Drive, Port Washington, New York	--	106	1,304	
60 Charles Lindbergh, Mitchel Field, New York	--	4,004	0	
235 Main Street, White Plains, New York	--	1,332	933	
245 Main Street, White Plains, New York	1	869	1,236	
505 White Plains Road, Tarrytown, New York	--	321	210	
555 White Plains Road, Tarrytown, New York	51	4,590	763	
560 White Plains Road, Tarrytown, New York	(1)	3,047	1,520	
580 White Plains Road, Tarrytown, New York	--	3,503	2,414	

COLUMN A	COLUMN F	COLUMN G	COLUMN H
DESCRIPTION	ACCUMULATED DEPRECIATION	DATE OF CONSTRUCTION	DATE ACQUIRED
300 Motor Parkway, Hauppauge, New York	1,661	1979	1979
88 Duryea Road Melville, New York	1,429	1980	1980
210 Blydenburgh Road, Islandia, New York	308	1969	1969
208 Blydenburgh Road, Islandia, New York	340	1969	1969
71 Hoffman Lane, Islandia, New York	431	1970	1970
933 Motor Parkway, Hauppauge, New York	662	1973	1973

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65 and 85 South Service Road, Plainview, New York .	227	1961	1961
333 Earl Ovington Blvd., (Omni), Mitchel Field, New York	27,134	1990	1995
135 Fell Court, Islip, New York	445	1965	1992
40 Cragwood Road, South Plainfield, New Jersey	7,934	1970	1983
110 Marcus Drive, Huntington, New York	1,270	1980	1980
333 East Shore Road, Great Neck, New York	641	1976	1976
310 East Shore Road, Great Neck, New York	2,019	1981	1981
70 Schmitt Blvd., Farmingdale, New York	729	1965	1995
19 Nicholas Drive, Yaphank, New York	2,080	1989	1995
1516 Motor Parkway, Hauppauge, New York	1,482	1981	1995
35 Pinelawn Road, Melville, New York	2,386	1980	1995
520 Broadhollow Road, Melville, New York	2,242	1978	1995
1660 Walt Whitman Road, Melville, New York	1,187	1980	1995
70 Maxess Road, Melville, New York	1,019	1967	1995
20 Melville Park Rd., Melville, New York	519	1965	1996
105 Price Parkway, Farmingdale, New York	1,400	1969	1996
48 Harbor Park Drive, Port Washington, New York	479	1976	1996
60 Charles Lindbergh, Mitchel Field, New York	4,985	1989	1996
235 Main Street, White Plains, New York	1,472	1974	1996
245 Main Street, White Plains, New York	1,891	1983	1996
505 White Plains Road, Tarrytown, New York	422	1974	1996
555 White Plains Road, Tarrytown, New York	3,086	1972	1996
560 White Plains Road, Tarrytown, New York	3,072	1980	1996
580 White Plains Road, Tarrytown, New York	4,463	1997	1996

Continued

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RECKSON ASSOCIATES REALTY CORP.
SCHEDULE III-REAL ESTATE AND ACCUMULATED DEPRECIATION
DECEMBER 31, 2001 (CONTINUED)
(IN THOUSANDS)

COLUMN A ----- DESCRIPTION -----	COLUMN B ENCUMBRANCE	COLUMN C ----- INITIAL COST -----	
		LAND	BUILDINGS IMPROVEM
660 White Plains Road, Tarrytown, New York	--	3,929	22,64
Landmark Square, Stamford, Connecticut	46,069	11,603	64,46
110 Bi-County Blvd., Farmingdale, New York	3,849	2,342	6,66
One Eagle Rock, East Hanover, New Jersey	--	803	7,56
710 Bridgeport Avenue, Shelton, Connecticut	--	5,405	21,62
101 JFK Expressway, Short Hills, New Jersey	--	7,745	43,88
10 Rooney Circle, West Orange, New Jersey	--	1,302	4,61
Executive Hill Office Park, West Orange, New Jersey .	--	7,629	31,28
3 University Plaza, Hackensack, New Jersey	--	7,894	11,84
150 Motor Parkway, Hauppauge, New York	--	1,114	20,43
Reckson Executive Park, Ryebrook, New York	--	18,343	55,02
University Square, Princeton, New Jersey	--	3,288	8,88
100 Andrews Road, Hicksville, New York	--	2,337	1,71

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80 Grasslands, Elmsford, New York	--	1,208	6,72
65 Marcus Drive, Melville, New York	--	295	1,96
100 Forge Way, Rockaway, New Jersey	--	315	90
200 Forge Way, Rockaway, New Jersey	--	1,128	3,22
300 Forge Way, Rockaway, New Jersey	--	376	1,07
400 Forge Way, Rockaway, New Jersey	--	1,142	3,26
51-55 Charles Lindbergh Blvd., Mitchel Field, New York	--	(A)	27,97
100 Summit Drive, Valhalla, New York	20,373	3,007	41,35
115/117 Stevens Avenue, Valhalla, New York	--	1,094	22,49
200 Summit Lake Drive, Valhalla, New York	19,770	4,343	37,30
140 Grand Street, White Plains, New York	--	1,932	18,74
500 Summit Lake Drive, Valhalla, New York	--	7,052	37,30
99 Cherry Hill Road, Parsippany, New Jersey	--	2,360	7,50
119 Cherry Hill Road, Parsippany, New Jersey	--	2,512	7,62
45 Melville Park Road, Melville, New York	--	355	1,48
500 Saw Mill River Road, Elmsford, New York	--	1,542	3,79
120 W. 45th Street, New York, New York	65,214	28,757	162,80

COLUMN A

COLUMN D

DESCRIPTION	COST CAPITALIZED, SUBSEQUENT TO ACQUISITION		
	LAND	BUILDINGS AND IMPROVEMENTS	LA
660 White Plains Road, Tarrytown, New York	45	5,662	3,
Landmark Square, Stamford, Connecticut	832	29,831	12,
110 Bi-County Blvd., Farmingdale, New York	--	308	2,
One Eagle Rock, East Hanover, New Jersey	--	3,151	
710 Bridgeport Avenue, Shelton, Connecticut	7	824	5,
101 JFK Expressway, Short Hills, New Jersey	(3,098)	(16,382)	4,
10 Rooney Circle, West Orange, New Jersey	1	584	1,
Executive Hill Office Park, West Orange, New Jersey .	4	1,649	7,
3 University Plaza, Hackensack, New Jersey	--	2,885	7,
150 Motor Parkway, Hauppauge, New York	--	3,055	1,
Reckson Executive Park, Ryebrook, New York	--	3,202	18,
University Square, Princeton, New Jersey	(1)	968	3,
100 Andrews Road, Hicksville, New York	151	5,742	2,
80 Grasslands, Elmsford, New York	--	576	1,
65 Marcus Drive, Melville, New York	56	883	
100 Forge Way, Rockaway, New Jersey	--	98	
200 Forge Way, Rockaway, New Jersey	--	370	1,
300 Forge Way, Rockaway, New Jersey	--	254	
400 Forge Way, Rockaway, New Jersey	--	254	1,
51-55 Charles Lindbergh Blvd., Mitchel Field, New York	--	4,292	
100 Summit Drive, Valhalla, New York	--	4,569	3,
115/117 Stevens Avenue, Valhalla, New York	--	1,787	1,
200 Summit Lake Drive, Valhalla, New York	--	2,875	4,
140 Grand Street, White Plains, New York	(1)	709	1,
500 Summit Lake Drive, Valhalla, New York	--	7,845	7,
99 Cherry Hill Road, Parsippany, New Jersey	(1)	627	2,
119 Cherry Hill Road, Parsippany, New Jersey	--	1,054	2,
45 Melville Park Road, Melville, New York	(1)	1,822	
500 Saw Mill River Road, Elmsford, New York	--	205	1,
120 W. 45th Street, New York, New York	7,732 (E)	1,635	36,

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DESCRIPTION	ENCUMBRANCE	INITIAL COST	
		LAND	BUILDING IMPROVEMENTS
1255 Broad Street, Clifton, New Jersey	--	1,329	15
810 7th Avenue, New York, New York	84,280	26,984 (A)	152
120 Mineola Blvd., Mineola, New York	--	1,869	10
100 Wall Street, New York, New York	36,522	11,749	66
One Orlando, Orlando, Florida	38,934	9,386	51
1350 Avenue of the Americas, New York, New York .	75,000	19,222	109
919 3rd Avenue, New York, New York	249,080	101,644 (A)	205
538 Broadhollow Road, Melville, New York	--	3,900	21
360 Hamilton Avenue, White Plains, New York	--	2,838	34
492 River Road, Nutley, New Jersey	--	2,615	5
275 Broadhollow Road, Melville, New York	--	3,850	12
400 Garden City Plaza, Garden City, New York	--	9,081	17
90 Merrick Avenue, East Meadow, New York	--	(A)	23
120 White Plains Road, Tarrytown, New York	--	3,852	24
100 White Plains Road, Tarrytown, New York	--	79	
51 JFK Parkway, Short Hills, New Jersey	--	10,053	62
680 Washington Blvd, Stamford, Connecticut	--	4,561	23
750 Washington Blvd, Stamford, Connecticut	--	7,527	31
1305 Walt Whitman Road, Melville, New York	--	3,934	24
50 Marcus Drive, Melville, New York	--	930	13
100 Grasslands Road, Elmsford, New York	--	289	3
2002 Orville Drive North, Bohemia, New York	--	1,950	9
390 Motor Parkway, Hauppauge, New York	--	240	5
58 South Service Road (D), Melville, New York	--	1,061	
Land held for development	--	69,365	
Developments in progress	--	--	74
Other property	--	--	
Total	\$751,077	\$ 458,772	\$2,009

DESCRIPTION	COLUMN A		COLUMN D	
	LAND	BUILDINGS AND IMPROVEMENTS	LAND	GROSS CARRIED
1255 Broad Street, Clifton, New Jersey	--	4,069	1,329	
810 7th Avenue, New York, New York	117	10,738	27,101	
120 Mineola Blvd., Mineola, New York	5	689	1,874	
100 Wall Street, New York, New York	93	8,280	11,842	
One Orlando, Orlando, Florida	32	1,715	9,418	
1350 Avenue of the Americas, New York, New York .	--	15,268	19,222	
919 3rd Avenue, New York, New York	12,795	84,386	114,439	
538 Broadhollow Road, Melville, New York	--	1,007	3,900	
360 Hamilton Avenue, White Plains, New York	--	20,897	2,838	
492 River Road, Nutley, New Jersey	--	4,145	2,615	
275 Broadhollow Road, Melville, New York	--	120	3,850	
400 Garden City Plaza, Garden City, New York	--	421	9,081	

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90 Merrick Avenue, East Meadow, New York	--	956	0
120 White Plains Road, Tarrytown, New York	--	141	3,852
100 White Plains Road, Tarrytown, New York	--	72	79
51 JFK Parkway, Short Hills, New Jersey	1	319	10,054
680 Washington Blvd, Stamford, Connecticut	--	60	4,561
750 Washington Blvd, Stamford, Connecticut	--	65	7,527
1305 Walt Whitman Road, Melville, New York	--	10	3,934
50 Marcus Drive, Melville, New York	--	4,670	930
100 Grasslands Road, Elmsford, New York	--	1,192	289
2002 Orville Drive North, Bohemia, New York	--	253	1,950
390 Motor Parkway, Hauppauge, New York	--	817	240
58 South Service Road (D), Melville, New York	507	9,807	1,568
Land held for development	--	--	69,365
Developments in progress	--	--	--
Other property	--	14,051	--
	-----	-----	-----
Total	\$19,430	\$393,505	\$478,202
	=====	=====	=====

COLUMN A	COLUMN F	COLUMN G	COLUMN H
-----	-----	-----	-----
DESCRIPTION	ACCUMULATED DEPRECIATION	DATE OF CONSTRUCTION	DATE ACQUIRED
-----	-----	-----	-----
1255 Broad Street, Clifton, New Jersey	1,964	1999	1999
810 7th Avenue, New York, New York	14,441	1970	1999
120 Mineola Blvd., Mineola, New York	1,016	1977	1999
100 Wall Street, New York, New York	6,542	1969	1999
One Orlando, Orlando, Florida	4,607	1987	1999
1350 Avenue of the Americas, New York, New York .	7,813	1966	2000
919 3rd Avenue, New York, New York	5,342	1970	2000
538 Broadhollow Road, Melville, New York	1,125	2000	2000
360 Hamilton Avenue, White Plains, New York	4,005	2000	2000
492 River Road, Nutley, New Jersey	448	2000	2000
275 Broadhollow Road, Melville, New York	1,355	1970	1997
400 Garden City Plaza, Garden City, New York	1,468	1989	1997
90 Merrick Avenue, East Meadow, New York	2,527	1985	1997
120 White Plains Road, Tarrytown, New York	2,241	1984	1997
100 White Plains Road, Tarrytown, New York	21	1984	1997
51 JFK Parkway, Short Hills, New Jersey	5,399	1988	1998
680 Washington Blvd, Stamford, Connecticut	2,011	1989	1998
750 Washington Blvd, Stamford, Connecticut	2,610	1989	1998
1305 Walt Whitman Road, Melville, New York	2,002	1999	1999
50 Marcus Drive, Melville, New York	419	2001	1998
100 Grasslands Road, Elmsford, New York	156	2001	1997
2002 Orville Drive North, Bohemia, New York	482	2001	1996
390 Motor Parkway, Hauppauge, New York	789	2001	1997
58 South Service Road (D), Melville, New York	32	2001	1998
Land held for development	--	N/A	Various
Developments in progress	--		
Other property	3,847		

Total	\$357,112		
	=====		

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A These land parcels, or a portion of the land parcels, on which the building and improvements were constructed are subject to a ground lease.
B The land parcel on which the building and improvements were constructed for one property is subject to a ground lease.
C The Encumbrance of \$2,616 is related to one property.
D As of December 31, 2001 this asset was partially under development. As a result, certain costs have been classified as development costs on the company's balance sheet.
E Costs incurred to acquire the lessor's rights to an air rights lease agreement.
The aggregate cost of Federal Income Tax purposes was approximately \$2,115 million at December 31, 2001.

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RECKSON ASSOCIATES REALTY CORP.
SCHEDULE III - REAL ESTATE AND ACCUMULATED DEPRECIATION
(IN THOUSANDS)

The changes in real estate for each of the periods in the three years ended December 31, 2001 are as follows:

	2001	2000	1999
	-----	-----	-----
Real estate balance at beginning of period	\$2,770,607	\$2,208,399	\$1,737,133
Improvements / revaluations	193,492	166,260	57,571
Disposal, including write-off of fully depreciated building improvements	(83,220)	(52,092)	(317,864)
Acquisitions	--	448,040	731,559
	-----	-----	-----
Balance at end of period	\$2,880,879	\$2,770,607	\$2,208,399
	=====	=====	=====

The changes in accumulated depreciation, exclusive of amounts relating to equipment, autos, furniture and fixtures, for each of the periods in the three years ended December 31, 2001 are as follows:

	2001	2000	1999
	-----	-----	-----
Balance at beginning of period	\$ 284,315	\$215,112	\$156,231
Depreciation for period	83,316	71,478	65,471

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Disposal, including write-off of fully depreciated building improvements	(10,519)	(2,275)	(6,590)
	-----	-----	-----
Balance at end of period	\$ 357,112	\$284,315	\$215,112
	=====	=====	=====

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(3) Exhibits

EXHIBIT NUMBER	FILING REFERENCE	DESCRIPTION
-----	-----	-----
3.1	a	Amended and Restated Articles of Incorporation of the Registrant
3.2	i	Amended and Restated By-Laws of the Registrant
3.3	e	Articles Supplementary of the Registrant Establishing and Fixing the Rights of Shares of Preferred Stock filed with the Maryland State Department of Asses April 9, 1998
3.4	j	Articles Supplementary of the Registrant Establishing and Fixing the Rights of Shares of Common Stock filed with the Maryland State Department of Asses May 24, 1999
3.5	h	Articles Supplementary of the Registrant Establishing and Fixing the Rights of Shares of Preferred Stock filed with the Maryland State Department of Asses May 28, 1999
3.6	j	Articles of Amendment of the Registrant filed with the Maryland State Department of Asses Taxation on January 4, 2000
3.7	j	Articles Supplementary of the Registrant filed with the Maryland State Department of Asses Taxation on January 11, 2000
3.8	q	Articles Supplementary of the Registrant Establishing and Fixing the Rights of Shares of Preferred Stock filed with the Maryland State Department of Asses November 2, 2000
4.1	b	Specimen Share Certificate of Class A Common Stock
4.2	l	Specimen Share Certificate of Class B Exchangeable Common Stock
4.3	e	Specimen Share Certificate of Series A Preferred Stock
4.4	g	Form of 7.40% Notes due 2004 of Reckson Operating Partnership, L.P. (the "O
4.5	g	Form of 7.75% Notes due 2009 of the Operating Partnership
4.6	g	Indenture, dated March 26, 1999, among the Operating Partnership, the Registrant and Trust Company, as trustee
4.7	k	Rights Agreement, dated as of October 13, 2000, between the Registrant and Trust Company, as Rights Agent, which includes, as Exhibit A thereto, the Supplementary, as Exhibit B thereto, the Form of Right Certificate, and as Summary of Rights to Purchase Preferred Shares
10.1	a	Amended and Restated Agreement of Limited Partnership of the Operating Partnership
10.2	e	Supplement to the Amended and Restated Agreement of Limited Partnership of the Operating Partnership Establishing Series A Preferred Units of Limited Partnership In
10.3	e	Supplement to the Amended and Restated Agreement of Limited Partnership of the Operating Partnership Establishing Series B Preferred Units of Limited Partnership In
10.4	e	Supplement to the Amended and Restated Agreement of Limited Partnership of the Operating Partnership Establishing Series C Preferred Units of Limited Partnership In
10.5	e	Supplement to the Amended and Restated Agreement of Limited Partnership of the Operating Partnership Establishing Series D Preferred Units of Limited Partnership In
10.6	j	Supplement to the Amended and Restated Agreement of Limited Partnership of the Operating Partnership Establishing Series B Common Units of Limited Partnership Inter
10.7	j	Supplement to the Amended and Restated Agreement of Limited Partnership of the Operating Partnership Establishing Series E Preferred Partnership Units of Limited Pa

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10.8	n	Supplement to the Amended and Restated Agreement of Limited Partnership of Partnership Establishing the Series F Junior Participating Preferred Partne
10.9	d	Third Amended and Restated Agreement of Limited Partnership of Omni Partner
10.10	k	Amendment and Restatement of Employment and Noncompetition Agreement, dated 2000, between the Registrant and Donald Rechler
10.11	k	Amendment and Restatement of Employment and Noncompetition Agreement, dated 2000, between the Registrant and Scott Rechler
10.12	k	Amendment and Restatement of Employment and Noncompetition Agreement, dated 2000, between the Registrant and Mitchell Rechler
10.13	k	Amendment and Restatement of Employment and Noncompetition Agreement, dated 2000, between the Registrant and Gregg Rechler
10.14	k	Amendment and Restatement of Employment and Noncompetition Agreement, dated 2000, between the Registrant and Roger Rechler
10.15	k	Amendment and Restatement of Employment and Noncompetition Agreement, dated 2000, between the Registrant and Michael Maturo
10.16	k	Amendment and Restatement of Employment and Noncompetition Agreement, dated 2000, between the Registrant and Jason Barnett
10.17	a	Purchase Option Agreements relating to the Reckson Option Properties
10.18	a	Purchase Option Agreements relating to the Other Option Properties
10.19	m	Amended and Restated 1995 Stock Option Plan
10.20	c	1996 Employee Stock Option Plan

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EXHIBIT NUMBER	FILING REFERENCE	DESCRIPTION
-----	-----	-----
10.21	b	Ground Leases for certain of the properties
10.22	a	Indemnity Agreement relating to 100 Oser Avenue
10.23	m	Amended and Restated 1997 Stock Option Plan
10.24	d	1998 Stock Option Plan
10.25	d	Note Purchase Agreement for the Senior Unsecured Notes
10.26	k	Amendment and Restatement of Severance Agreement, dated as of August 15, 2000, between the Registrant and Donald Rechler
10.27	k	Amendment and Restatement of Severance Agreement, dated as of August 15, 2000, between the Registrant and Scott Rechler
10.28	k	Amendment and Restatement of Severance Agreement, dated as of August 15, 2000, between the Registrant and Mitchell Rechler
10.29	k	Amendment and Restatement of Severance Agreement, dated as of August 15, 2000, between the Registrant and Gregg Rechler
10.30	k	Amendment and Restatement of Severance Agreement, dated as of August 15, 2000, between the Registrant and Roger Rechler
10.31	k	Amendment and Restatement of Severance Agreement, dated as of August 15, 2000, between the Registrant and Michael Maturo
10.32	k	Amendment and Restatement of Severance Agreement, dated as of August 15, 2000, between the Registrant and Jason Barnett
10.33	f	Intercompany Agreement by and between the Operating Partnership and Reckson Service Industries, Inc., dated May 13, 1998
10.34	j	Amended and Restated Credit Agreement dated as of August 4, 1999 between Reckson Service Industries, Inc., as borrower, and the Operating Partnership, as Lender, and Reckson Service Venture Partners, LLC ("RSVP Credit Agreement")
10.35	j	Amended and Restated Credit Agreement dated as of August 4, 1999 between Reckson Service Industries, Inc., as borrower, and the Operating Partnership, as Lender, and Reckson Service Industries, Inc. ("RSI Credit Agreement")
10.36	j	Letter Agreement, dated November 30, 1999, amending the RSVP Credit Agreement

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		Credit Agreement
10.37	o	Second Amendment to the Amended and Restated Credit Agreement, dated March 2001, between the Operating Partnership and FrontLine Capital Group
10.38	p	Loan Agreement, dated as of June 1, 2001, between 1350 LLC, as Borrower, a Corporation, as Lender
10.39	p	Loan Agreement, dated as of July 18, 2001, between Metropolitan 919 3rd Avenue and Secore Financial Corporation, as Lender
10.40	k	\$575 million Credit Facility dated as of September 7, 2000 among Reckson Operating Partnership, The Chase Manhattan Bank, UBS Warburg Dillon Read, Deutsche Bank and Chase Bank
10.41	k	Guaranty Agreement dated as of September 7, 2000 among the Registrant, The Registrant and UBS Warburg LLC
10.42	k	Operating Agreement dated as of September 28, 2000 between Reckson Tri-State LLC (together with its permitted successors and assigns) and TIAA Tri-State LLC
10.43	n	Agreement of Spreader, Consolidation and Modification of Mortgage Security Trust
10.44	n	Consolidated, Amended and Restated Secured Promissory Note relating to Metropolitan 810 7th Ave., LLC, 100 Wall Company LLC and Monumental Life Insurance Company LLC and 100 Wall Company LLC
10.45	r	Amended and Restated Operating Agreement of 919 JV LLC
12.1		Statement of Ratios of Earnings to Fixed Charges
21.1		Statement of Subsidiaries
23.0		Consent of Independent Auditors
24.1		Power of Attorney (included in Part IV of the Form 10-K)

-
- (a) Previously filed as an exhibit to the Registrant's Registration Statement Form S-11 (No. 333-74285) and incorporated herein by reference.
 - (b) Previously filed as an exhibit to the Registrant's Registration Statement Form S-11 (No. 333-74285) and incorporated herein by reference.
 - (c) Previously filed as an exhibit to the Registrant's Form 8-K report filed with the SEC on March 26, 2001 and incorporated herein by reference.
 - (d) Previously filed as an exhibit to the Registrant's Form 10-K filed with the SEC on March 26, 2001 and incorporated herein by reference.
 - (e) Previously filed as an exhibit to the Registrant's Form 8-K report filed with the SEC on March 26, 2001 and incorporated herein by reference.
 - (f) Previously filed as an exhibit to the Registrant's Form 10-K filed with the SEC on March 26, 2001 and incorporated herein by reference.
 - (g) Previously filed as an exhibit to the Registrant's Form 8-K filed with SEC on March 26, 2001 and incorporated herein by reference.
 - (h) Previously filed as an exhibit to the Registrant's Form 8-K filed with SEC on June 7, 2001 and incorporated herein by reference.
 - (i) Previously filed as an exhibit to the Registrant's Form 10-Q filed with the SEC on November 1, 2001 and incorporated herein by reference.
 - (j) Previously filed as an exhibit to the Registrant's Form 10-K filed with the SEC on March 26, 2001 and incorporated herein by reference.
 - (k) Previously filed as an exhibit to the Registrant's Form 8-K filed with the SEC on October 1, 2001 and incorporated herein by reference.
 - (l) Previously filed as an exhibit to the Registrant's Form S-4 (No. 333-74285) and incorporated herein by reference.
 - (m) Previously filed as an exhibit to the Registrant's Form 10-Q filed with the SEC on November 1, 2001 and incorporated herein by reference.
 - (n) Previously filed as an exhibit to the Registrant's Form 10-K filed with the SEC on March 26, 2001 and incorporated herein by reference.
 - (o) Previously filed as an exhibit to the Registrant's Form 10-Q filed with the SEC on May 1, 2001 and incorporated herein by reference.
 - (p) Previously filed as an exhibit to the Registrant's Form 10-Q filed with the SEC on August 1, 2001 and incorporated herein by reference.

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- herein by reference.
- (q) Included as an exhibit to Exhibit 4.7.
- (r) Previously filed as an exhibit to the Registrant's Form 8-K filed with the SEC on January 1, 2014, and is incorporated herein by reference.

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