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RECKSON ASSOCIATES REALTY CORP

Form 10-Q

August 14, 2001

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UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, DC 20549

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FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(D) OF  
THE SECURITIES EXCHANGE ACT OF 1934

FOR THE QUARTERLY PERIOD ENDED JUNE 30, 2001

COMMISSION FILE NUMBER: 1-13762

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RECKSON ASSOCIATES REALTY CORP.  
(Exact name of registrant as specified in its charter)

MARYLAND  
(State other jurisdiction of incorporation of organization)

11-3233650  
(IRS. Employer Identification Number)

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

11747  
(zip code)

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

-----  
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 registrant was required to file such reports) Yes X No\_\_\_, and (2) has been subject to such filing requirements for the past 90 days. Yes X No\_\_\_.

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The company has two classes of common stock, issued at \$.01 par value per share with 49,627,051 and 10,283,513 shares of Class A common stock and Class B common stock outstanding, respectively as of August 10, 2001  
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RECKSON ASSOCIATES REALTY CORP.  
QUARTERLY REPORT  
FOR THE THREE MONTHS ENDED JUNE 30, 2001

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PART I -- FINANCIAL INFORMATION

ITEM 1 -- FINANCIAL STATEMENTS

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

ASSETS:

Commercial real estate properties, at cost:

Land ..... \$ 396,103

JUNE 30, 2001  
(UNAUDITED)  
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Building and improvements .....	2,308,001
Developments in progress:	
Land .....	69,183
Development costs .....	87,204
Furniture, fixtures and equipment .....	7,414
	-----
	2,867,905
Less accumulated depreciation .....	(332,649)
	-----
	2,535,256
Investment in real estate joint ventures .....	69,026
Investment in mortgage notes and notes receivable .....	55,223
Cash and cash equivalents .....	26,395
Tenant receivables .....	9,829
Investments in and advances to affiliates .....	180,759
Deferred rents receivable .....	90,080
Prepaid expenses and other assets .....	77,378
Contract and land deposits and pre-acquisition costs .....	3,026
Deferred leasing and loan costs. ....	65,270
	-----
TOTAL ASSETS .....	\$ 3,112,242
	=====
LIABILITIES:	
Mortgage notes payable .....	\$ 730,170
Unsecured credit facility .....	334,600
Senior unsecured notes .....	449,424
Accrued expenses and other liabilities. ....	91,788
Dividends and distributions payable .....	33,113
	-----
TOTAL LIABILITIES .....	1,639,095
	-----
Minority partners' interests in consolidated partnerships .....	140,442
Preferred unit interest in the operating partnership .....	34,733
Limited partners' minority interest in the operating partnership .....	107,021
	-----
	282,196
	-----
Commitments and other comments .....	--
STOCKHOLDERS' EQUITY:	
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, 49,619,419 and 45,352,286 shares issued and	
outstanding, respectively .....	496
Class B common stock, 10,283,513 shares issued and outstanding .....	103
Additional paid in capital .....	1,186,537
Accumulated other comprehensive income .....	3,703
	-----
Total Stockholders' Equity .....	1,190,951
	-----
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY .....	\$ 3,112,242
	=====

(see accompanying notes to financial statements)

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

	THREE MONTHS ENDED JUNE 30,	
	2001	2000
<b>REVENUES:</b>		
Base rents .....	\$ 111,184	\$ 96,099
Tenant escalations and reimbursements .....	14,165	12,984
Equity in earnings of real estate joint ventures and service companies .....	801	1,775
Interest income on mortgage notes and notes receivable .....	1,559	2,190
Gain on sales of real estate .....	--	6,662
Investment and other income .....	4,678	5,745
<b>Total Revenues</b> .....	<b>132,387</b>	<b>125,455</b>
<b>EXPENSES:</b>		
Property operating expenses .....	40,874	36,508
Marketing, general and administrative .....	8,411	6,509
Interest .....	23,562	24,176
Depreciation and amortization .....	27,172	22,426
<b>Total Expenses</b> .....	<b>100,019</b>	<b>89,619</b>
Income before minority interests and preferred dividends and distributions .....	32,368	35,836
Minority partners' interests in consolidated partnerships .....	(4,065)	(1,925)
Distributions to preferred unit holders .....	(461)	(660)
Limited partners' minority interest in the operating partnership .....	(2,616)	(3,083)
<b>Net Income</b> .....	<b>25,226</b>	<b>30,168</b>
Dividends to preferred shareholders .....	(5,467)	(7,197)
<b>Net income available to common shareholders</b> .....	<b>\$ 19,759</b>	<b>\$ 22,971</b>
<b>Net Income available to:</b>		
Class A common shareholders .....	\$ 15,109	\$ 16,655
Class B common shareholders .....	4,650	6,316
<b>Total</b> .....	<b>\$ 19,759</b>	<b>\$ 22,971</b>
<b>Basic net income per weighted average common share:</b>		
Class A common shareholders .....	\$ .32	\$ .40
Class B common shareholders .....	\$ .45	\$ .61
<b>Basic weighted average common shares outstanding:</b>		
Class A common shareholders .....	47,221,917	41,343,118
Class B common shareholders .....	10,283,513	10,283,513
<b>Diluted net income per weighted average common share:</b>		
Class A common shareholders .....	\$ .32	\$ .40

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Class B common shareholders .....	\$ .34	\$ .44	\$
	=====	=====	=====
Diluted weighted average common shares outstanding:			
Class A common shareholders .....	47,600,390	41,700,478	
Class A common shareholders .....	10,283,513	10,283,513	

(see accompanying notes to financial statements)

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

			SIX
			-----
			2001
			-----
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income .....		\$ 51,3	
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization .....		50,6	
Gain on sales of real estate .....			
Minority partners' interests in consolidated partnerships .....		9,8	
Limited partners' minority interest in the operating partnership .....		5,3	
Equity in earnings of real estate joint ventures and service companies .....		(1,1	
Changes in operating assets and liabilities:			
Tenant receivables .....		1,6	
Real estate tax escrows .....		(1,2	
Prepaid expenses and other assets .....		(1,7	
Deferred rents receivable .....		(22,1	
Accrued expenses and other liabilities .....		(4	
		-----	
Net cash provided by operating activities .....		92,0	
		-----	
CASH FLOWS FROM INVESTING ACTIVITIES:			
Increase in contract deposits and pre-acquisition costs .....		(1,3	
Additions to developments in progress .....		(5,2	
Purchases of commercial real estate properties .....			
Proceeds from mortgage note receivable repayments .....		2,9	
Investments in real estate joint ventures .....		(24,9	
Distribution from a real estate joint venture .....			
Additions to commercial real estate properties .....		(87,9	
Additions to furniture, fixtures and equipment .....		(2	
Payment of leasing costs .....		(5,9	
Proceeds from sales of properties and mortgage redemption .....			
		-----	
Net cash used in investing activities .....		(122,8	
		-----	
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from issuance of common stock net of issuance costs .....		1,3	
Principal payments on secured borrowings .....		(73,8	

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Payment of loan and equity issuance costs .....	(7
(Increase) decrease in investments in and advances to affiliates .....	(4,1
Proceeds from secured borrowings .....	75,0
Proceeds from unsecured credit facility .....	118,0
Repayment of unsecured credit facility .....	
Distributions to minority partners in consolidated partnerships .....	(10,7
Distributions to limited partners in the operating partnership .....	(5,9
Distributions to preferred unit holders .....	(1,1
Dividends to common shareholders .....	(47,5
Dividends to preferred shareholders .....	(10,8
	-----
Net cash provided by financing activities .....	39,3
	-----
Net increase in cash and cash equivalents .....	8,5
Cash and cash equivalents at beginning of period .....	17,8
	-----
Cash and cash equivalents at end of period .....	\$ 26,3
	=====

(see accompanying notes to financial statements)

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RECKSON ASSOCIATES REALTY CORP.  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
JUNE 30, 2001  
(UNAUDITED)

### 1. ORGANIZATION AND FORMATION OF THE COMPANY

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").

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 the management and construction companies.

During July 1998, the Company formed Metropolitan Partners, LLC ("Metropolitan") for the purpose of acquiring Tower Realty Trust, Inc. ("Tower"). On May 24, 1999 the Company completed the merger with Tower and acquired three Class A office properties located in New York City totaling 1.6 million square feet and one office property located on Long Island totaling

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approximately 101,000 square feet. In addition, pursuant to the merger, the Company also acquired certain office properties, a property under development and land located outside of the Tri-State Area. All of the assets acquired in the merger located outside of the Tri-State Area, other than a 357,000 square foot office property located in Orlando, Florida, have been sold.

On September 28, 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 to the Tri-State JV in exchange for approximately \$136 million and a 51% majority ownership interest in the Tri-State JV.

### 2. BASIS OF PRESENTATION

The accompanying consolidated financial statements include the consolidated financial position of the Company and the Operating Partnership at June 30, 2001 and December 31, 2000 and the results of their operations for the three and six months ended June 30, 2001 and 2000, respectively, and, their cash flows for the six months ended June 30, 2001 and 2000, respectively. The Operating Partnership's investments in Omni Partners, L. P. ("Omni"), the Tri-State JV and certain joint venture properties 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 businesses currently conducted by Reckson Management Group, Inc. and Reckson Construction Group, Inc. 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 June 30, 2001 represent an approximate 11.3% limited partnership interest in the Operating Partnership, a 49% interest in the Tri-State JV and a 40% interest in Omni.

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The accompanying interim unaudited financial statements have been prepared by the Company's management pursuant to the rules and regulations of the Securities and Exchange Commission. Certain information and footnote disclosure normally included in the financial statements prepared in accordance with accounting principles generally accepted in the United States ("GAAP") may have been condensed or omitted pursuant to such rules and regulations, although management believes that the disclosures are adequate to make the information presented not misleading. The unaudited financial statements as of June 30, 2001 and for the three and six month periods ended June 30, 2001 and 2000 include, in the opinion of management, all adjustments, consisting of normal recurring adjustments, necessary to present fairly the financial information set forth herein. The results of operations for the interim periods are not necessarily indicative of the results that may be expected for the year ending December 31, 2001. These financial statements should be read in conjunction with the Company's audited financial statements and the notes thereto included in the Company's Form 10K for the year ended December 31, 2000.

The Company intends to qualify as a REIT under Section 856 through 869 of the Internal Revenue Code of 1986, as amended (the "Code"). As a REIT, the Company will not generally be subject to corporate Federal income taxes as long as it satisfies certain technical requirements of the Code relating to composition of its income and assets and requirements relating to distributions

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of taxable income to shareholders.

Financial Accounting Standards Board's ("FASB") Statement No. 133, "Accounting for Derivative Instruments and Hedging Activities," ("SFAS 133") 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 has been reflected in other assets and OCI on the accompanying balance sheet. On July 18, 2001, the mortgage note payable which these derivatives relate to was funded (see Note 3) and their fair value at that time was approximately \$676,000 less than their carrying value. This amount will be amortized to interest expense over the term of the mortgage note to which it relates.

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

### 3. MORTGAGE NOTES PAYABLE

As of June 30, 2001, the Company had approximately \$530.2 million of fixed rate mortgage notes which mature at various times between 2001 and 2027. The notes are secured by 23 properties and have a weighted average interest rate of approximately 7.5%.

In addition, as of June 30, 2001, the Company had a \$200 million variable rate mortgage note, which matures in 2003. The note is secured by the property located at 919 Third Avenue, NY, NY. On July 18, 2001, the Company refinanced this mortgage note with a ten year, \$250 million fixed rate mortgage note which bears interest at 6.867% per annum. Net proceeds of approximately \$47 million were used primarily to repay maturing fixed rate debt and the Company's unsecured credit facility.

On June 1, 2001, the Company refinanced the \$70 million variable rate mortgage note, which secured the property located at 1350 Avenue of the Americas, with a five year, \$75 million fixed rate mortgage note which bears interest at 6.52% per annum. Net proceeds of approximately \$3.4 million were used for working capital purposes.

On July 24, 2001, the Company repaid a mortgage note in the amount of approximately \$15.5 million, which was secured by the property located at 50 Charles Lindbergh Blvd., Mitchel Field, NY.

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### 4. SENIOR UNSECURED NOTES

As of June 30, 2001, the Operating Partnership had outstanding approximately \$449.4 million (net of issuance discounts) of senior unsecured notes (the "Senior Unsecured Notes"). The following table sets forth the

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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. UNSECURED CREDIT FACILITY

As of June 30, 2001, the Company had a three year \$575 million unsecured revolving credit facility (the "Credit Facility") from The Chase Manhattan 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 of 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 June 30, 2001, the Company had availability under the Credit Facility to borrow an additional \$240.4 million (of which, approximately \$34.1 million has been allocated for outstanding undrawn letters of credit).

### 6. COMMERCIAL REAL ESTATE INVESTMENTS

As of June 30, 2001, the Company owned and operated 82 office properties (inclusive of ten office properties owned through joint ventures) comprising approximately 14.4 million square feet, 104 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 a 357,000 square foot office building located in Orlando, Florida and approximately 290 acres of land in 13 separate parcels of which the Company can develop approximately 1.4 million square feet of office space and approximately 224,000 square feet of industrial space. The Company also 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, New York and \$36.5 million under three notes which are secured by a minority partners' preferred interest in the Operating Partnership.

In July 1998, the Company formed a joint venture, Metropolitan Partners LLC ("Metropolitan"), with Crescent Real Estate Equities Company, a Texas REIT ("Crescent") for the purpose of acquiring Tower Realty Trust, Inc. ("Tower"). On May 24, 1999 the Company completed the merger with Tower and acquired three Class A office properties located in New York City totaling 1.6 million square feet and one office property located on Long Island totaling approximately

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101,000 square feet. In addition, pursuant to the merger, the Company also acquired certain office properties, a property under development and land located outside of the Tri-State Area. All of the assets acquired in the merger located outside of the Tri-State Area, other than a 357,000 square foot office property located in Orlando, Florida, have been sold.

Metropolitan is 100% owned by the Company; Crescent owned a \$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, at Crescent's election, Crescent 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.

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On September 28, 2000, the Company formed the Tri-State JV with TIAA and contributed eight Class A suburban office properties aggregating approximately 1.5 million square feet to the Tri-State JV in exchange for approximately \$136 million and a 51% majority ownership interest in the Tri-State JV.

### 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, exchanged for shares of Class A common stock on a one-for-one basis.

On April 2, 2001, approximately 7,785 preferred units of the Operating Partnership, with a liquidation preference value of approximately \$7.8 million, were exchanged for 305,706 OP Units at an average price of \$25.47 per OP Unit. In addition, during the three months ended June 30, 2001, 352,878 OP Units were exchanged for an equal number of shares of the Company's Class A common stock.

On May 24, 1999, the Company issued 11,694,567 shares of Class B Exchangeable Common Stock, par value \$.01 per share, of the Company (the "Class B common stock"), which were valued for GAAP purposes at \$26 per share for total consideration of approximately \$304.1 million. The shares of Class B common stock were entitled to receive an initial annual dividend of \$2.24 per share, which dividend is subject to adjustment annually. On July 31, 2001, the annual dividend on the Class B Common Stock was increased to \$2.5968 per share.

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.

On May 31, 2001, in connection with Crescent's conversion of its \$85 million preferred equity investment in Metropolitan, the Company issued 3,453,881 shares of Class A common stock.

During June 2001, the Board of Directors of the Company declared the following dividends on the Company's securities:

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SECURITY	DIVIDEND / DISTRIBUTION	RECORD DATE	PAYMENT DATE	THREE MONTHS ENDED
Class A common stock	\$ .4246	July 6, 2001	July 17, 2001	June 30, 2001
Class B common stock	\$ .6492	July 13, 2001	July 31, 2001	July 31, 2001
Series A preferred stock	\$ .4766	July 13, 2001	July 31, 2001	July 31, 2001
Series B preferred stock	\$ .553125	July 13, 2001	July 31, 2001	July 31, 2001

The Board of Directors of the Company has authorized the purchase of up to three million shares of the Company's Class B common stock. In addition, the Board of Directors has also authorized the purchase of up to an additional three million shares of the Company's Class B common stock and/or its Class A common stock. The buy-back program 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. As of June 30, 2001, 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 4,204 shares of Class A common stock at an average price of \$22.03 per Class A share for an aggregate purchase price of approximately \$30.4 million.

Basic net income per share on the Company's Class A common stock was calculated using the weighted average number of shares outstanding of 47,221,917 and 41,343,118 for the three months ended June 30, 2001 and 2000, respectively, and 46,357,533 and 40,862,650 for the six months ended June 30, 2001 and 2000, respectively.

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Basic net income per share on the Company's Class B common stock was calculated using the weighted average number of shares outstanding of 10,283,513 for the three months ended June 30, 2001 and 2000, respectively, and 10,283,513 and 10,283,556 for the six months ended June 30, 2001 and 2000, respectively.

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 earnings per weighted average share for the Company's Class A common stock (in thousands except for earnings per share data):

	THREE MONTHS ENDED JUNE 30,		SIX
	2001	2000	2001
Numerator:			
Net Income .....	\$ 25,226	\$ 30,168	\$ 51,3
Dividends to preferred shareholders .....	(5,467)	(7,197)	(10,8

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Income allocated to Class B common shareholders .....	(4,650)	(6,316)	(10,0
	-----	-----	-----
Numerator for basic and diluted earnings per Class A common share .....	\$ 15,109	\$ 16,655	\$ 30,4
	=====	=====	=====
Denominator:			
Denominator for basic earnings per share-weighted average Class A common shares .....	47,222	41,343	46,3
Effect of dilutive securities:			
Employee stock options .....	378	357	4
	-----	-----	-----
Denominator for diluted earnings per Class A common share -- adjusted weighted average shares and assumed conversions .....	47,600	41,700	46,7
	=====	=====	=====
Basic earnings per Class A common share:			
Net income per Class A common share .....	\$ .32	\$ .40	\$ .
	=====	=====	=====
Diluted earnings per Class A common share:			
Diluted net income per Class A common share .....	\$ .32	\$ .40	\$ .
	=====	=====	=====

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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 earnings per weighted average share for the Company's Class B common stock (in thousands except for earnings per share data):

	THREE MONTHS ENDED JUNE 30,		SIX
	2001	2000	2001
	-----	-----	-----
Numerator:			
Net Income .....	\$ 25,226	\$ 30,168	\$ 51,3
Dividends to preferred shareholders .....	(5,467)	(7,197)	(10,8
Income allocated to Class A common shareholders .....	(15,109)	(16,655)	(30,4
	-----	-----	-----
Numerator for basic earnings per Class B common share .....	4,650	6,316	10,0
Add back:			
Income allocated to Class A common shareholders .....	15,109	16,655	30,4
Limited partners' minority interest in the operating partnership .....	2,616	3,083	5,3
	-----	-----	-----
Numerator for diluted earnings per Class B common share .....	\$ 22,375	\$ 26,054	\$ 45,7
	=====	=====	=====
Denominator:			

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Denominator for basic earnings per share- weighted average Class B common shares .....	10,284	10,284	10,2
Effect of dilutive securities:			
Weighted average Class A common shares outstanding .....	47,222	41,343	46,3
Weighted average OP Units outstanding .....	7,763	7,695	7,7
Employee stock options .....	378	357	4
	-----	-----	-----
Denominator for diluted earnings per Class B common share-adjusted weighted average shares and assumed conversions .....	65,647	59,679	64,7
	=====	=====	=====
Basic earnings per Class B common share:			
Net income per Class B common share .....	\$ .45	\$ .61	\$ .
	=====	=====	=====
Diluted earnings per Class B common share:			
Diluted net income per Class B common share .....	\$ .34	\$ .44	\$ .
	=====	=====	=====

8. SUPPLEMENTAL DISCLOSURES OF CASH FLOWS INFORMATION (in thousands)

	SIX MONTHS ENDED JUNE 30,	
	2001	2000
	-----	-----
Cash paid during the period for interest .....	\$52,766	\$52,135
	=====	=====
Interest capitalized during the period .....	\$ 5,137	\$ 5,173
	=====	=====

9. 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 Chief Operating Officers 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.

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In addition, the Company does not consider (i) interest incurred on its Credit Facility, term loan 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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The following table sets forth the components of the Company's revenues and expenses and other related disclosures for the three months ended June 30, 2001 and 2000 (in thousands):

	THREE MONTHS ENDED			
	JUNE 30, 2001			
	CORE PORTFOLIO	OTHER	CONSOLIDATED TOTALS	CORE PORTFOLIO
<b>REVENUES:</b>				
Base rents, tenant escalations and reimbursements .....	\$ 123,030	\$ 2,319	\$ 125,349	\$ 106,852
Equity in earnings of real estate joint ventures and service companies .....	--	801	801	--
Other income .....	1,929	4,308	6,237	257
<b>Total Revenues .....</b>	<b>124,959</b>	<b>7,428</b>	<b>132,387</b>	<b>107,109</b>
<b>EXPENSES:</b>				
Property operating expenses .....	40,080	794	40,874	35,950
Marketing, general and administrative .....	5,446	2,965	8,411	4,788
Interest .....	12,149	11,413	23,562	9,403
Depreciation and amortization .....	25,096	2,076	27,172	20,055
<b>Total Expenses .....</b>	<b>82,771</b>	<b>17,248</b>	<b>100,019</b>	<b>70,196</b>
Income (loss) before minority interests and preferred dividends and distributions .....	\$ 42,188	\$ (9,820)	\$ 32,368	\$ 36,913
<b>Total assets .....</b>	<b>\$ 2,475,072</b>	<b>\$ 637,170</b>	<b>\$ 3,112,242</b>	<b>\$ 2,054,183</b>

The following table sets forth the components of the Company's revenues and expenses and other related disclosures for the six months ended June 30, 2001 and 2000 (in thousands):

	THREE MONTHS ENDED			
	JUNE 30, 2001			
	CORE PORTFOLIO	OTHER	CONSOLIDATED TOTALS	CORE PORTFOLIO

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REVENUES:

Base rents, tenant escalations and reimbursements .....	\$ 243,752	\$ 5,036	\$ 248,788	\$ 211,672
Equity in earnings of real estate joint ventures and service companies .....	--	1,199	1,199	--
Other income .....	2,478	10,808	13,286	664
	-----	-----	-----	-----
Total Revenues .....	246,230	17,043	263,273	212,336
	-----	-----	-----	-----

EXPENSES:

Property operating expenses .....	80,434	1,434	81,868	73,571
Marketing, general and administrative .....	10,070	5,838	15,908	9,755
Interest .....	25,055	22,138	47,193	18,595
Depreciation and amortization .....	46,631	4,062	50,693	39,388
	-----	-----	-----	-----
Total Expenses .....	162,190	33,472	195,662	141,309
	=====	=====	=====	=====
Income (loss) before minority interests and preferred dividends and distributions .....	\$ 84,040	\$ (16,429)	\$ 67,611	\$ 71,027
	=====	=====	=====	=====

10. OTHER INVESTMENTS AND ADVANCES

During 1997, the Company formed FrontLine Capital Group, formerly Reckson Service Industries, Inc., ("FrontLine") and Reckson Strategic Venture Partners, LLC ("RSVP"). In connection with the formation 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. As of June 30, 2001, the Company had 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 on terms similar to the FrontLine Facility. During March 2001, the Company increased the RSVP Commitment to \$110 million and as of June 30, 2001, approximately \$109.1 million had been funded through the RSVP Commitment, of which \$59.8 million represents investments in RSVP-controlled (REIT-qualified) joint ventures and \$49.3 million represents advances loaned to FrontLine. In addition, as of June 30, 2001, the Company, through its Credit Facility, has allocated approximately \$200,000 in outstanding undrawn letters of credit for the benefit of FrontLine. As of June 30, 2001, interest accrued under the FrontLine Facility and RSVP Commitment was approximately \$19.6 million, of which approximately \$5 million was accrued for the three month period ended June 30, 2001.

FrontLine's primary business, HQ Global Holdings, Inc. ("HQ"), one of the largest providers of flexible officing solutions in the world, recently announced that the termination of the merger discussions between HQ and another officing solutions provider and the decline in the overall economic environment have negatively impacted its operating results. FrontLine also announced that it obtained relief for the second and third quarters of 2001 from both HQ's lenders and from the lender on its \$25 million secured credit facility. FrontLine is in discussions with this secured lender concerning the extension of the secured credit facility beyond its current maturity during the third quarter 2001. FrontLine and HQ are currently in discussions with their lenders concerning the

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potential need for amendments to financial covenants for future periods. In addition, FrontLine has announced that it is considering seeking stockholder approval, if necessary, to issue shares of its common stock in lieu of cash, in the event certain put rights of holders of HQ common stock are exercised. The Company has 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 its loans to FrontLine through the FrontLine Facility or the RSVP Commitment. As a result of these circumstances, the Company has taken a reserve against interest income accrued for the second quarter 2001 the loans under the FrontLine Facility and RSVP Commitment in the amount of approximately \$3.5 million based on its assessment of the amounts expected to be received on these loans. In addition, based on current conditions, the Company expects to record a similar reserve in future periods. FrontLine's ability to meet its obligations as they come due, or repay the Company will depend upon, amongst other things, the outcome of certain events described above.

Both the FrontLine Facility and the loans under the RSVP Commitment have a term of five years, are unsecured and advances under each are recourse obligations of FrontLine. Interest accrues on advances made under the credit facilities 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 addition to its interest in HQ, FrontLine also owns an interest in RSVP which invests primarily in real estate and real estate related operating companies generally outside of the Company's core office and industrial focus.

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### ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

The following discussion should be read in conjunction with the accompanying Consolidated 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

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current or anticipated rental rate levels; the availability of financing to us or our tenants; changes in operating costs, including utility costs; repayment of debt owed to the Company by third parties (including FrontLine Capital Group); risks associated 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.

### OVERVIEW AND BACKGROUND

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

The Company owns all of the interests in its real properties through Reckson Operating Partnership, L.P. (the "Operating Partnership"). As of June 30, 2001, the Company owned and operated 82 office properties (inclusive of ten office properties which are owned through joint ventures) comprising approximately 14.4 million square feet, 104 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 a 357,000 square foot office building located in Orlando, Florida and approximately 290 acres of land in 13 separate parcels of which the Company can develop approximately 1.4 million square feet of office space and approximately 224,000 square feet of industrial space. The Company also 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, New York and \$36.5 million under three notes which are secured by a minority partners' preferred interest in the Operating Partnership.

During 1997, the Company formed FrontLine Capital Group, formerly Reckson Service Industries, Inc., ("FrontLine") and Reckson Strategic Venture Partners, LLC ("RSVP"). In connection with the formation 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. As of June 30, 2001, the Company had 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 on

terms similar to the FrontLine Facility. During March 2001, the Company increased the RSVP Commitment to \$110 million and as of June 30, 2001, approximately \$109.1 million had been funded through the RSVP Commitment, of which \$59.8 million represents investments in RSVP-controlled (REIT-qualified) joint ventures and \$49.3 million represents advances loaned to FrontLine. In addition, as of June 30, 2001, the Company, through its unsecured credit facility, has allocated approximately \$200,000 in outstanding undrawn letters of credit for the benefit of FrontLine. As of June 30, 2001, interest accrued under

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the FrontLine Facility and RSVP Commitment was approximately \$19.6 million, of which approximately \$5 million was accrued for the three month period ended June 30, 2001.

FrontLine's primary business, HQ Global Holdings, Inc. ("HQ"), one of the largest providers of flexible officing solutions in the world, recently announced that the termination of the merger discussions between HQ and another officing solutions provider and the decline in the overall economic environment have negatively impacted its operating results. FrontLine also announced that it obtained relief for the second and third quarters of 2001 from both HQ's lenders and from the lender on its \$25 million secured credit facility. FrontLine is in discussions with this secured lender concerning the extension of the secured credit facility beyond its current maturity during the third quarter 2001. FrontLine and HQ are currently in discussions with their lenders concerning the potential need for amendments to financial covenants for future periods. In addition, FrontLine has announced that it is considering seeking stockholder approval, if necessary, to issue shares of its common stock in lieu of cash, in the event certain put rights of holders of HQ common stock are exercised. The Company has 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 its loans to FrontLine through the FrontLine Facility or the RSVP Commitment. As a result of these circumstances, the Company has taken a reserve against interest income accrued for the second quarter 2001 on the loans under the FrontLine Facility and RSVP Commitment in the amount of approximately \$3.5 million based on its assessment of the amounts expected to be received on those loans. In addition, based on current conditions, the Company expects to record a similar reserve in future periods. FrontLine's ability to meet its obligations as they come due, or repay the Company will depend upon, amongst other things, the outcome of certain events described above.

Both the FrontLine Facility and the loans under the RSVP Commitment have a term of five years, are unsecured and advances under each are recourse obligations of FrontLine. Interest accrues on advances made under the credit facilities 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 addition to its interest in HQ, FrontLine also owns an interest in RSVP which invests primarily in real estate and real estate related operating companies generally outside of the Company's core office and industrial focus.

In July 1998, the Company formed a joint venture, Metropolitan Partners LLC ("Metropolitan"), with Crescent Real Estate Equities Company, a Texas REIT ("Crescent") for the purpose of acquiring Tower Realty Trust, Inc. ("Tower"). On May 24, 1999 the Company completed the merger with Tower and acquired three Class A office properties located in New York City totaling 1.6 million square feet and one office property located on Long Island totaling approximately 101,000 square feet. In addition, pursuant to the merger, the Company also acquired certain office properties, a property under development and land located outside of the Tri-State Area. All of the assets acquired in the merger located outside of the Tri-State Area, other than a 357,000 square foot office property located in Orlando, Florida, have been sold.

Metropolitan is 100% owned by the Company; Crescent owned a \$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, at Crescent's election, Crescent converted its

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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 September 28, 2000, the Company formed a joint venture (the "Tri-State JV") with Teachers Insurance and Annuity Association and contributed eight Class A suburban office properties aggregating approximately 1.5 million square feet to the Tri-State JV in exchange for approximately \$136 million and a 51% majority ownership interest in the Tri-State JV.

The market capitalization of the Company at June 30, 2001 was approximately \$3.4 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 \$23.00 per share/unit (based on the closing price of the Company's Class A common stock on June 29, 2001), (ii) the market value of the Company's Class B common stock of \$24.61 per share (based on the closing price of the Company's Class B common stock on June 29, 2001), (iii) the liquidation preference value of the Company's Series A preferred

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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) the approximately \$1.5 billion (including its share of joint venture debt and net of minority partners' interests share of joint venture debt) of debt outstanding at June 30, 2001. As a result, the Company's total debt to total market capitalization ratio at June 30, 2001 equaled approximately 44.3%.

### RESULTS OF OPERATIONS

The Company's total revenues increased by \$6.9 million or 5.5% for the three months ended June 30, 2001 as compared to the 2000 period. Property operating revenues, which include base rents and tenant escalations and reimbursements ("Property Operating Revenues") increased by \$16.3 million or 14.9% for the three months ended June 30, 2001 as compared to the 2000 period. The increase in Property Operating Revenues is primarily attributable to \$7.7 million from increases in occupancies and rental rates in our "same store" properties. In addition, \$3.6 million of the increase was generated by developed and redeveloped properties. The Company's base rent reflects the positive impact of the straight-line rent adjustment of \$10.9 million for the three months ended June 30, 2001 as compared to \$8.3 million for the 2000 period. Included in the \$10.9 million straight-line rent adjustment is \$6.9 million attributable to 919 Third Avenue as compared to \$4.3 million for the 2000 period. This amount is primarily attributable to the free rent period contained in the lease of the largest tenant in the building. The free rent period is effective through February 28, 2002. Other revenues (excluding Property Operating Revenues), decreased by \$9.3 million or 57% for the three months ended June 30, 2001 as compared to the 2000 period. This decrease is primarily attributable to \$6.7 million in gain on sales of real estate in the 2000 period with no asset sales in the 2001 period. In addition, this decrease was also attributable to the \$3.5 million reserve against interest income accrued for the second quarter of 2001, relating to the FrontLine Facility and loans under the RSVP Commitment.

Property operating expenses, real estate taxes and ground rents ("Property Expenses") increased by \$4.4 million or 12% for the three months ended June 30, 2001 as compared to the 2000 period. This increase is primarily due to an increase of \$2.6 million 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 the

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three months ended June 30, 2001 and 2000 were 67.4% and 66.5%, respectively. The increase in Gross Operating Margins is primarily attributable to the increase in rental rates and occupancy levels.

Marketing, general and administrative expenses increased by approximately \$1.9 million for the three months ended June 30, 2001 as compared to the 2000 period. The increase was primarily attributable to legal and professional fees incurred in connection with certain cancelled acquisition transactions. Marketing, general and administrative expenses, as a percentage of total revenues, were 6.4% for the three months ended June 30, 2001 as compared to 5.2% for the 2000 period.

Interest expense decreased by approximately \$614,000 for the three months ended June 30, 2001 as compared to the 2000 period. The decrease was primarily attributable to a decrease in interest expense on the Company's variable rate debt due to lower interest rates.

The Company's total revenues increased by \$20.2 million or 8.3% for the six months ended June 30, 2001 as compared to the 2000 period. Property Operating Revenues increased by \$32.5 million or 15% for the six months ended June 30, 2001 as compared to the 2000 period. The increase in Property Operating Revenues is primarily attributable to \$13.9 million from increases in occupancies and rental rates in our "same store" properties. In addition, \$6.4 million of the increase was generated by developed and redeveloped properties. The Company's base rent reflects the positive impact of the straight-line rent adjustment of \$22.1 million for the six months ended June 30, 2001 as compared to \$12.8 million for the 2000 period. Included in the \$22.1 million straight-line rent adjustment is \$14.4 million attributable to 919 Third Avenue, as compared to \$5.4 million for the 2000 period. This amount is primarily attributable to the free rent contained in the lease of the largest tenant in the building. The free rent period is effective through February 28, 2002. Other revenues (excluding Property Operating Revenues), decreased by \$12.3 million or 45.9% for the six months ended June 30, 2001 as compared to the 2000 period. This decrease is

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primarily attributable to \$6.7 million in gain on sales of real estate in the 2000 period with no asset sales in the 2001 period. In addition, this decrease was also attributable to the \$3.5 million reserve against interest income accrued for the second quarter of 2001, relating to the FrontLine Facility and loans under the RSVP Commitment.

Property Expenses increased by \$7.1 million or 9.5% for the six months ended June 30, 2001 as compared to the 2000 period. This increase is primarily due to an increase of \$4.6 million in our "same-store" properties.

Marketing general and administrative expenses increased by \$3.0 million for the six months ended June 30, 2001 as compared to the 2000 period. The increase was primarily attributable to legal and professional fees incurred in connection with certain cancelled acquisition transactions, increases in certain tenant and community relation costs and increases in compensation and related employee benefits. Marketing general and administrative expenses, as a percentage of total revenues, were 6.0% for the six months ended June 30, 2001 as compared to 5.3% for the 2000 period.

Interest expense decreased by approximately \$823,000 for the six months ended June 30, 2001 as compared to the 2000 period. The decrease was primarily attributable to a decrease in interest expense on the Company's variable rate debt due to lower interest rates.

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### LIQUIDITY AND CAPITAL RESOURCES

As of June 30, 2001, the Company had a three year \$575 million unsecured revolving credit facility (the "Credit Facility") from The Chase Manhattan 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 of 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 June 30, 2001, the Company had availability under the Credit Facility to borrow an additional \$240.4 million (of which, approximately \$34.1 million has been allocated for outstanding undrawn letters of credit).

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 April 2, 2001, approximately 7,785 preferred units of limited partnership interest in the Operating Partnership, with a liquidation preference value of approximately \$7.8 million, were exchanged for 305,706 OP Units at an average price of \$25.47 per OP Unit. In addition, during the three months ended June 30, 2001, 352,878 OP Units were exchanged for an equal number of shares of the Company's Class A common stock.

On May 31, 2001, in connection with Crescent's conversion of its \$85 million preferred equity investment in Metropolitan, the Company issued 3,453,881 shares of Class A common stock.

On May 24, 1999, the Company issued 11,694,567 shares of Class B Exchangeable Common Stock, par value \$.01 per share, of the Company (the "Class B common stock"), which were valued for accounting principles generally accepted in the United States ("GAAP") purposes at \$26 per share for total consideration of approximately \$304.1 million. The shares of Class B common stock were entitled to receive an initial annual dividend of \$2.24 per share, which dividend is subject to adjustment annually. On July 31, 2000, the annual dividend on the Class B Common Stock was increased to \$2.5968 per share.

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 three million shares of the Company's Class B common stock. In addition, the Board of Directors has also authorized the purchase of up to an additional three million shares of the Company's Class B common stock and/or its Class A common stock. The buy-back program 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. As of June 30, 2001, the Company had purchased and retired

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1,410,804 shares of Class B common stock at an average price of \$21.48 per Class B share and 4,204 shares of Class A common stock at an average price of \$22.03 per Class A share for an aggregate purchase price of approximately \$30.4 million.

The Company's indebtedness at June 30, 2001 totaled approximately \$1.5 billion (including its share of joint venture debt and net of minority partners' interests share of joint venture debt) and was comprised of \$334.6 million outstanding under the Credit Facility, approximately \$449.4 million of senior unsecured notes and approximately \$717 million of mortgage indebtedness. Based on the Company's total market capitalization of approximately \$3.4 billion at June 30, 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 Company's preferred stock, (iv) the liquidation preference value of the Operating Partnership's preferred units and (v) the \$1.5 billion of debt), the Company's debt represented approximately 44.3% of its total market capitalization.

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 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.

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

### 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 and a certain mortgage note payable bear interest at a variable rate, which will be influenced by changes in short-term interest rates, and are sensitive to inflation.

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### 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 accounting principles generally accepted in the United States ("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. In November 1999, NAREIT issued a "White Paper" analysis to address certain interpretive issues under its definition of FFO. The White Paper provides that FFO should include both recurring and non-recurring operating results, except those results defined as "extraordinary items" under GAAP. This revised definition is effective for all periods beginning on or after January 1, 2000.

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 (unaudited and in thousands, except per share/unit data):

	THREE MONTHS ENDED JUNE 30,		
	2001	2000	\$
Net income available to common shareholders .....	\$ 19,759	\$ 22,971	\$
Adjustments for basic funds from operations:			
Add:			
Limited partners' minority interest in the operating partnership .....	2,616	3,083	
Real estate depreciation and amortization .....	26,727	21,937	
Minority partners' interests in consolidated partnerships .....	4,065	1,925	
Less:			
Gain on sales of real estate .....	--	6,662	
Amounts distributable to minority partners in consolidated partnerships .....	5,104	2,136	
Basic Funds From Operations ("FFO") .....	48,063	41,118	
Add:			
Dividends and distributions on dilutive shares and units .....	6,958	9,451	

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Diluted FFO .....	----- \$ 55,021 =====	----- \$ 50,569 =====	----- \$1 =====
Basic FFO calculations:			
Weighted average common shares outstanding .....	57,505	51,627	
Weighted average units of limited partnership interest outstanding .....	7,763	7,695	
Basic weighted average common shares and units outstanding .....	65,268 =====	59,322 =====	=====
Basic FFO per weighted average common share or unit .....	\$ .74	\$ .69	\$
Basic weighted average dividends or distributions per share or unit .....	\$ .46	\$ .42	\$
Basic FFO payout ratio .....	62.1%	60.8%	
Diluted FFO calculations:			
Basic weighted average common shares and units outstanding .....	65,268	59,322	
Adjustments for dilutive FFO weighted average shares and units outstanding:			
Add:			
Weighted average common stock equivalents .....	378	357	
Weighted average shares of Series A Preferred Stock .....	8,060	8,060	
Weighted average shares of Series B Preferred Stock .....	1,919	5,294	
Weighted average shares of minority partners preferred interest .....	2,277	3,454	
Weighted average units of preferred limited partnership interest .....	1,127	1,367	
Dilutive FFO weighted average shares and units outstanding .....	79,029 =====	77,854 =====	=====
Diluted FFO per weighted average share or unit .....	\$ .70	\$ .65	\$
Diluted weighted average dividends or distributions per share or unit .....	\$ .45	\$ .41	\$
Diluted FFO payout ratio .....	64.9%	63.6%	

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The following table presents the Company's CAD calculation (unaudited and in thousands, except per share/unit data):

	THREE MONTHS ENDED JUNE 30,	
	----- 2001 -----	----- 2000 -----
Basic Funds From Operations .....	\$ 48,063	\$ 41,118
Adjustments for basic cash available for distribution:		
Less:		
Straight line rents (Note a) .....	10,854	8,300
Non-incremental capitalized tenant improvements and leasing commissions .....	4,098	1,873

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Non-incremental capitalized improvements .....	1,629	1,446
	-----	-----
Basic Cash Available for Distribution ("CAD") .....	31,482	29,499
Add:		
Dividends and distributions on dilutive shares and units	1,491	9,451
	-----	-----
Diluted CAD .....	\$ 32,973	\$ 38,950
	=====	=====
Basic CAD calculations:		
Weighted average common shares outstanding .....	57,505	51,627
Weighted average units of limited partnership interest outstanding .....	7,763	7,695
	-----	-----
Basic weighted average common shares and units outstanding .....	65,268	59,322
	=====	=====
Basic CAD per weighted average common share or unit .....	\$ .48	\$ .50
Basic weighted average dividends or distributions per share or unit .....	\$ .46	\$ .42
Basic CAD payout ratio .....	94.8%	84.7%
Diluted CAD calculations:		
Basic weighted average common shares and units outstanding .....	65,268	59,322
Adjustments for dilutive CAD weighted average shares and units outstanding:		
Add:		
Weighted average common stock equivalents .....	378	357
Weighted average shares of Series A Preferred Stock	--	8,060
Weighted average shares of Series B Preferred Stock	--	5,294
Weighted average shares of minority partners'preferred interest .....	2,277	3,454
Weighted average units of preferred limited partnership interest .....	1,127	1,367
	-----	-----
Dilutive CAD weighted average shares and units outstanding .....	69,050	77,854
	=====	=====
Diluted CAD per weighted average share or unit .....	\$ .48	\$ .50
Diluted weighted average dividends or distributions per share or unit .....	\$ .46	\$ .41
Diluted CAD payout ratio .....	95.4%	82.5%

Notes:

- (a) Includes straight-line rental income attributable to the property located at 919 Third Avenue, New York, N.Y. of \$6,880, \$4,309, \$14,384 and \$5,384, respectively.

ITEM 3. 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

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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 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 other comprehensive income 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.

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.

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 June 30, 2001 (dollars in thousands):

	FOR THE YEAR ENDED DECEMBER 31,				
	2001	2002	2003	2004	2005
Long term debt:					
Fixed rate .....	\$ 19,424	\$ 17,381	\$ 9,696	\$ 113,107	\$ 11,361
Weighted average interest rate .....	7.55%	7.77%	7.68%	7.49%	7.70%
Variable rate .....	\$ --	\$ --	\$ 534,600	\$ --	\$ --
Weighted average interest rate .....	--	--	5.38%	--	--
	THEREAFTER	TOTAL (1)	FMV		
Long term debt:					
Fixed rate .....	\$ 809,201	\$ 980,170	\$ 982,950		
Weighted average interest rate .....	7.47%	7.48%			
Variable rate .....	\$ --	\$ 534,600	\$ 534,600		
Weighted average interest rate .....	--	5.38%			

(1) Includes unamortized issuance discounts of \$576,000 on the 5 and 10 year

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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 \$5.3 million annual increase in interest expense based on approximately \$534.6 million of variable rate debt outstanding at June 30, 2001.

The following table sets forth the Company's mortgage notes and note receivables by scheduled maturity date, weighted average interest rates and estimated FMV at June 30, 2001 (dollars in thousands):

	FOR THE YEAR ENDED DECEMBER 31,						TOT
	2001	2002	2003	2004	2005	THEREAFTER	
Mortgage notes and notes receivable:							
Fixed rate .....	\$ 8	\$ 1,165	\$ --	\$ 36,500	\$ --	\$ 16,990	\$ 5
Weighted average Interest rate .....	9.00%	9.00%	--	10.23%	--	11.65%	

-----  
(2) Excludes interest receivables aggregating approximately \$560,000.

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

The following table summarizes the expenditures incurred for capital expenditures for the entire portfolio and tenant improvements and leasing commissions for space leased at the Company's office and industrial properties for the six month period ended June 30, 2001 and the historical of such capital expenditures, tenant improvements and leasing commissions for the years 1997 through 2000.

#### NON-INCREMENTAL REVENUE GENERATING CAPITAL EXPENDITURES

	1997	1998	1999	2000	199
					AV
<b>SUBURBAN OFFICE PROPERTIES</b>					
Total .....	\$ 1,108,675	\$ 2,004,976	\$ 2,298,899	\$ 3,289,116	\$ 2,
Per Square Foot .....	0.22	0.23	0.23	0.33	
<b>CBD OFFICE PROPERTIES</b>					
Total .....	N/A	N/A	N/A	\$ 946,718	\$
Per Square Foot .....	N/A	N/A	N/A	0.38	
<b>INDUSTRIAL PROPERTIES</b>					
Total .....	\$ 733,233	\$ 1,205,266	\$ 1,048,688	\$ 813,431	\$

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Per Square Foot ..... 0.15 0.12 0.11 0.11

NON-INCREMENTAL REVENUE GENERATING TENANT IMPROVEMENTS AND LEASING COMMISSIONS

	1997	1998	1999	2000
<b>LONG ISLAND OFFICE PROPERTIES</b>				
Tenant Improvements .....	\$ 784,044	\$ 1,140,251	\$ 1,009,357	\$ 2,853,706
Per Square Foot Improved .....	7.00	3.98	4.73	6.99
Leasing Commissions .....	\$ 415,822	\$ 418,191	\$ 551,762	\$ 2,208,604
Per Square Foot Leased .....	4.83	1.46	2.59	4.96
	-----	-----	-----	-----
Total Per Square Foot .....	\$ 11.83	\$ 5.44	\$ 7.32	\$ 11.95
	=====	=====	=====	=====
<b>WESTCHESTER OFFICE PROPERTIES</b>				
Tenant Improvements .....	\$1,211,665	\$ 711,160	\$ 1,316,611	\$ 1,860,027
Per Square Foot Improved .....	8.90	4.45	5.62	5.72
Leasing Commissions .....	\$ 366,257	\$ 286,150	\$ 457,730	\$ 412,226
Per Square Foot Leased .....	2.69	1.79	1.96	3.00
	-----	-----	-----	-----
Total Per Square Foot .....	\$ 11.59	\$ 6.24	\$ 7.58	\$ 8.72
	=====	=====	=====	=====
<b>CONNECTICUT OFFICE PROPERTIES</b>				
Tenant Improvements .....	\$1,022,421	\$ 202,880	\$ 179,043	\$ 385,531
Per Square Foot Improved .....	13.39	5.92	4.88	4.19
Leasing Commissions .....	\$ 256,615	\$ 151,063	\$ 110,252	\$ 453,435
Per Square Foot Leased .....	3.36	4.41	3.00	4.92
	-----	-----	-----	-----
Total Per Square Foot .....	\$ 16.75	\$ 10.33	\$ 7.88	\$ 9.11
	=====	=====	=====	=====
<b>NEW JERSEY OFFICE PROPERTIES</b>				
Tenant Improvements .....	N/A	\$ 654,877	\$ 454,054	\$ 1,580,323
Per Square Foot Improved .....	N/A	3.78	2.29	6.71
Leasing Commissions .....	N/A	\$ 396,127	\$ 787,065	\$ 1,031,950
Per Square Foot Leased .....	N/A	2.08	3.96	4.44
	-----	-----	-----	-----
Total Per Square Foot .....	N/A	\$ 5.86	\$ 6.25	\$ 11.15
	=====	=====	=====	=====
<b>NEW YORK CITY OFFICE PROPERTIES</b>				
Tenant Improvements .....	N/A	N/A	N/A	\$ 65,267
Per Square Foot Improved .....	N/A	N/A	N/A	1.79
Leasing Commissions .....	N/A	N/A	N/A	\$ 418,185
Per Square Foot Leased .....	N/A	N/A	N/A	11.50
	-----	-----	-----	-----
Total Per Square Foot .....	N/A	N/A	N/A	\$ 13.29
	=====	=====	=====	=====
<b>INDUSTRIAL PROPERTIES</b>				
Tenant Improvements .....	\$ 230,466	\$ 283,842	\$ 375,646	\$ 650,216
Per Square Foot Improved .....	0.55	0.76	0.25	0.95
Leasing Commissions .....	\$ 81,013	\$ 200,154	\$ 835,108	\$ 436,506
Per Square Foot Leased .....	0.19	0.44	0.56	0.64

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Total Per Square Foot .....	\$ 0.75	\$ 1.20	\$ 0.81	\$ 1.59
	=====	=====	=====	=====

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LEASE EXPIRATIONS

The following table sets forth scheduled lease expirations for executed leases as of June 30, 2001:

LONG ISLAND OFFICE PROPERTIES (EXCLUDING OMNI):

YEAR OF LEASE EXPIRATION	NUMBER OF LEASES	TOTAL RENTABLE SQUARE FEET EXPIRING	% OF TOTAL RENTABLE SQUARE FEET EXPIRING	PER SQUARE FOOT S/L RENT (1)
2001 .....	28	131,751	3.8%	\$ 22.25
2002 .....	34	165,933	4.8%	\$ 21.91
2003 .....	52	375,400	10.9%	\$ 22.95
2004 .....	49	286,257	8.3%	\$ 23.24
2005 .....	70	604,700	17.5%	\$ 23.30
2006 .....	19	106,482	3.1%	\$ 26.62
2007 AND THEREAFTER .....	88	1,787,057	51.6%	--
TOTAL .....	340	3,457,580	100.0%	
	===	=====	=====	

OMNI:

YEAR OF LEASE EXPIRATION	NUMBER OF LEASES	TOTAL RENTABLE SQUARE FEET EXPIRING	% OF TOTAL RENTABLE SQUARE FEET EXPIRING	PER SQUARE FOOT S/L RENT (1)
2001 .....	2	8,663	1.5%	\$ 30.48
2002 .....	4	53,127	9.2%	\$ 34.55
2003 .....	4	58,018	10.0%	\$ 30.22
2004 .....	4	112,414	19.5%	\$ 26.14
2005 .....	7	59,166	10.2%	\$ 27.99
2006 .....	1	9,749	1.7%	\$ 35.21
2007 AND THEREAFTER .....	10	276,259	47.9%	--
TOTAL .....	32	577,396	100.0%	
	==	=====	=====	

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INDUSTRIAL PROPERTIES:

YEAR OF LEASE EXPIRATION	NUMBER OF LEASES	TOTAL RENTABLE SQUARE FEET EXPIRING	% OF TOTAL RENTABLE SQUARE FEET EXPIRING	PER SQUARE FOOT S/L RENT (1
2001 .....	15	307,259	6.3%	\$ 5.89
2002 .....	28	246,504	5.0%	\$ 6.47
2003 .....	28	733,434	14.9%	\$ 5.35
2004 .....	33	623,753	12.7%	\$ 6.25
2005 .....	22	427,994	8.7%	\$ 5.93
2006 .....	33	888,693	18.1%	\$ 6.36
2007 AND THEREAFTER .....	38	1,680,440	34.3%	--
	--	-----	-----	
TOTAL .....	197	4,908,077	100.0%	
	===	=====	=====	

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LEASE EXPIRATIONS - (CONTINUED)

RESEARCH AND DEVELOPMENT PROPERTIES:

YEAR OF LEASE EXPIRATION	NUMBER OF LEASES	TOTAL RENTABLE SQUARE FEET EXPIRING	% OF TOTAL RENTABLE SQUARE FEET EXPIRING	PER SQUARE FOOT S/L RENT (1
2001 .....	6	286,946	22.0%	\$ 5.53
2002 .....	3	118,620	9.1%	\$ 10.19
2003 .....	4	37,938	2.9%	\$ 9.20
2004 .....	9	99,218	7.6%	\$ 13.86
2005 .....	4	357,440	27.4%	\$ 8.24
2006 .....	6	90,217	6.9%	\$ 17.36
2007 AND THEREAFTER .....	14	314,417	24.1%	--
	--	-----	-----	
TOTAL .....	46	1,304,796	100.0%	
	==	=====	=====	

WESTCHESTER OFFICE PROPERTIES:

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YEAR OF LEASE EXPIRATION	NUMBER OF LEASES	TOTAL RENTABLE SQUARE FEET EXPIRING	% OF TOTAL RENTABLE SQUARE FEET EXPIRING	PER SQUARE FOOT S/L RENT (1
2001 .....	16	56,421	1.8%	\$ 21.55
2002 .....	48	419,902	13.7%	\$ 21.18
2003 .....	44	246,101	8.0%	\$ 21.76
2004 .....	31	172,746	5.6%	\$ 21.12
2005 .....	50	389,628	12.7%	\$ 24.98
2006 .....	31	692,851	22.6%	\$ 22.76
2007 AND THEREAFTER .....	41	1,086,508	35.6%	--
	--	-----	-----	
TOTAL .....	261	3,064,157	100.0%	
	===	=====	=====	

STAMFORD OFFICE PROPERTIES:

YEAR OF LEASE EXPIRATION	NUMBER OF LEASES	TOTAL RENTABLE SQUARE FEET EXPIRING	% OF TOTAL RENTABLE SQUARE FEET EXPIRING	PER SQUARE FOOT S/L RENT (1
2001 .....	19	44,758	4.2%	\$ 19.99
2002 .....	18	84,104	8.0%	\$ 27.53
2003 .....	17	120,969	11.4%	\$ 31.07
2004 .....	21	228,220	21.6%	\$ 22.01
2005 .....	26	122,242	11.6%	\$ 26.66
2006 .....	19	273,947	25.9%	\$ 25.53
2007 AND THEREAFTER .....	16	182,285	17.3%	--
	--	-----	-----	
TOTAL .....	136	1,056,525	100.0%	
	===	=====	=====	

LEASE EXPIRATIONS - (CONTINUED)

NEW JERSEY OFFICE PROPERTIES:

YEAR OF LEASE EXPIRATION	NUMBER OF LEASES	TOTAL RENTABLE SQUARE FEET EXPIRING	% OF TOTAL RENTABLE SQUARE FEET EXPIRING	PER SQUARE FOOT S/L RENT (1
2001 .....	10	158,351	8.2%	\$ 17.36
2002 .....	19	144,155	7.4%	\$ 20.20
2003 .....	17	307,840	15.8%	\$ 18.86

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2004 .....	29	227,106	11.7%	\$ 22.59
2005 .....	24	279,093	14.4%	\$ 23.09
2006 .....	14	150,607	7.8%	\$ 24.52
2007 AND THEREAFTER .....	18	675,409	34.7%	--
	--	-----	-----	
TOTAL .....	131	1,942,561	100.0%	
	===	=====	=====	

NEW YORK CITY OFFICE

YEAR OF LEASE EXPIRATION	NUMBER OF LEASES	TOTAL RENTABLE SQUARE FEET EXPIRING	% OF TOTAL RENTABLE SQUARE FEET EXPIRING	PER SQUARE FOOT S/L RENT (1)
2001 .....	9	60,261	1.8%	\$ 32.00
2002 .....	20	189,578	5.6%	\$ 32.57
2003 .....	7	115,726	3.4%	\$ 31.89
2004 .....	19	218,239	6.4%	\$ 36.46
2005 .....	38	446,810	13.2%	\$ 36.04
2006 .....	48	343,182	10.1%	\$ 30.00
2007 AND THEREAFTER .....	71	2,014,494	59.5%	--
	--	-----	-----	
TOTAL .....	212	3,388,290	100.0%	
	===	=====	=====	

(1) Per square foot rental rate represents annualized straight line rent as of the lease expiration date.

(2) Per square foot rental rate represents annualized base rent as of the lease expiration date plus non-recoverable operating expense pass-throughs.

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PART II -- OTHER INFORMATION

Item 1. Legal Proceedings -- None

Item 2. Changes in Securities and use of proceeds

On May 31, 2001, the Registrant issued 3,453,881 shares of its Class A common stock to Crescent in connection with Crescent's conversion of its \$85 million preferred equity interest in Metropolitan Partners LLC, based on a conversion price of \$24.61 per share. This transaction was exempt from registration pursuant to Section 4(2) of the Securities Act of 1933.

During the three months ended June 30, 2001, the Registrant issued 352,878 shares of its Class A common stock, par value \$0.01 per share, in exchange for an equal number of units of general partnership interest of the Operating Partnership. These transactions were exempt from registration pursuant to Section 4(2) of the Securities Act of 1933.

Item 3. Defaults Upon Senior Securities -- None

Item 4. Submission of Matters to a Vote of Securities Holders

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On May 24, 2001, the Company held its annual meeting of stockholders. The matters on which the stockholders voted, in person or by proxy, were (1) the election of three nominees as Class III directors to serve until the 2004 annual meeting of stockholders and until their respective successors are duly elected and qualified and (2) to ratify the selection of the independent auditors of the Company. The three nominees were elected and the auditors were ratified. The results of the voting are set forth below:

ELECTION OF DIRECTORS	VOTES CAST FOR	VOTES CAST AGAINST
Roger Rechler	29,351,625	N/A
Harvey Blau	35,384,369	N/A
John V.N. Klein	35,383,591	N/A
RATIFICATION OF AUDITORS	38,198,639	147,295

Item 5. Other information -- None

Item 6. Exhibits and Reports on Form 8-K

a) Exhibits

10.1 - Loan agreement dated as of June 1, 2001, between 1350 LLC, as Borrower, and Secore Financial Corporation, as Lender.

10.2 - Loan agreement dated as of July 18, 2001, between Metropolitan 919 3rd Avenue, LLC, as Borrower, and Secore Financial Corporation, as Lender.

b) During the three months ended June 30, 2001, the Registrant filed the following reports on Form 8-K:

On May 3, 2001, the Registrant submitted a report on Form 8-K under Item 9 thereof in order to submit its first quarter presentation in satisfaction of the requirements of Regulation FD.

On May 4, 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 quarter ended March 31, 2001 in satisfaction of the requirements of Regulation FD.

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Pursuant to the requirements of the Securities and Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

RECKSON ASSOCIATES REALTY CORP.

By: \s\ Scott H. Rechler

/s/ Michael Maturo

-----  
Scott H. Rechler, Co-Chief Executive  
Officer and President

-----  
Michael Maturo, Executive Vice President,  
Treasurer and Chief Financial Officer

DATE: August 13, 2001