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RECKSON ASSOCIATES REALTY CORP  
Form 10-K  
March 21, 2001

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, 2000

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 11-3233650  
(State or other jurisdiction of (I.R.S. Employer  
incorporation or organization) Identification No.)

225 BROADHOLLOW ROAD, 11747  
MELVILLE, NY (Zip Code)  
(Address of principal executive offices)

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                   |

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 Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  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

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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 \$1,197.1 million based on the closing prices on the New York Stock Exchange for such shares on March 20, 2001.

The Company has two class' of common stock, issued at \$.01 par value per share with 45,812,864 and 10,283,513 shares of Class A common stock and Class B common stock outstanding, respectively as of March 23, 2001.

### DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Registrant's Proxy Statement for the Annual Shareholder's Meeting to be held May 24, 2001 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

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commenced operations effective with the completion of its initial public offering 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, 2000, the Company owned 188 properties (the "Properties") (including 10 joint venture properties) in the Tri-State Area encompassing approximately 21.3 million rentable square feet, all of which are managed by the Company. The Properties consist of 65 Class A office properties (the "Suburban Office Properties") encompassing approximately 9.1 million rentable square feet, 17 Class A CBD Office Properties) encompassing approximately 5.3 million rentable square feet (together, the "Office Properties"), 104 industrial properties (the "Industrial Properties") encompassing approximately 6.8 million rentable square feet and two 10,000 square foot retail properties. The Company also owns a 357,000 square foot office building located in Orlando, Florida. In addition, as of December 31, 2000, the Company had approximately \$6.4 million invested in certain mortgage indebtedness encumbering approximately 101 acres of land, approximately \$17 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 partner's preferred unit interest in the Operating Partnership (the "Note Receivable Investments"). As of December 31, 2000, the Company is in the process of developing a 315,000 square foot office building and also owned approximately 290 acres of land in 13 separate parcels on which the Company can develop approximately 1.4 million square feet of office space and approximately 224,000 square feet of industrial space.

During 1999 and 2000, the Company made investments in REIT-qualified joint ventures with Reckson Strategic Venture Partners, LLC ("RSVP"), a venture capital fund created as a research and development vehicle for the Company to invest in alternative real estate sectors (see Corporate Strategies and Growth Opportunities). RSVP is managed by an affiliate of FrontLine Capital Group ("FrontLine"). The Company has committed up to \$100 million for investments in the form of either (i) RSVP-controlled (REIT-qualified) joint ventures or (ii) loans to FrontLine for FrontLine's investment in RSVP. As of December 31, 2000, the Company has invested approximately \$41.1 million in RSVP -- controlled (REIT-qualified) joint ventures. In March 2001, the Company increased the RSVP Commitment to \$110 million and advanced approximately \$24 million under the RSVP Commitment to fund additional RSVP-controlled (REIT-qualified) joint ventures.

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 or have been modernized to successfully compete with newer buildings and achieve among the highest rent, occupancy and tenant retention rates within their markets. The majority of the Suburban Office Properties are located in ten planned office parks. The Office Properties are tenanted by a diverse industry group of national firms which include consumer products, telecommunication, health care, insurance, financial services and professional service firms such as accounting firms and securities brokerage houses. The Industrial Properties are utilized for distribution, warehousing, research and development and light manufacturing / assembly activities and are located primarily in three planned industrial parks developed by Reckson.

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All of the Company's interests in the 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 as of December 31, 2000, owned approximately 88% 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, 2000, the Company had approximately 317 employees.

## RECENT DEVELOPMENTS

### Acquisition Activity.

Set forth below is a brief description of the Company's major acquisition activity during 2000.

On January 13, 2000, the Company acquired 1350 Avenue of the Americas, a 540,000 square foot, 35 story, CBD Office Property, located in New York City, for a purchase price of approximately \$126.5 million. This acquisition was financed through a \$70 million secured debt financing and a draw under the Credit Facility.

On August 15, 2000, the Company acquired 538 Broadhollow Road, a 180,000 square foot Suburban Office Property located in Melville, New York for a purchase price of approximately \$25.6 million. This acquisition was financed, in part, through a borrowing under the Credit Facility.

In addition, as of December 31, 2000, the Company has invested approximately \$6.4 million in certain mortgage indebtedness encumbering approximately 101 acres of land. The Company has also loaned approximately \$17 million to its minority partner in Omni, its 575,000 square foot flagship Long Island Suburban Office Property, and effectively increased its economic interest in the property owning partnership.

On August 9, 1999, the Company executed a contract for the sale, which took place in three stages, of its interest in Reckson Morris Operating Partnership, L. P. ("RMI"), which consisted of 28 properties, comprising approximately 6.1 million square feet and three other big box industrial properties to Keystone Property Trust ("KTR"). In addition, the Company also entered into a sale agreement with the Matrix Development Group ("Matrix")

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relating to a first mortgage note and certain industrial land holdings (the "Matrix Sale"). The combined total sales price of \$310 million (\$52 million of which is attributable to the Morris Companies and its affiliates in the form of \$41.6 million of preferred units of KTR's operating partnership and \$10.4 million of debt relief) consisted of (i) approximately \$159.7 million in cash, (ii) \$41.5 million in convertible preferred and common stock of KTR, (iii) \$61.6 million in preferred units of KTR's operating partnership, (iv) approximately \$37.1 million of debt relief and (v) approximately \$10.1 million in purchase money mortgage notes secured by certain land that is being sold to Matrix.

As of December 31, 2000, the Matrix Sale and the sale of the Company's interest in RMI was completed. As a result, the Company realized a gain of approximately \$16.7 million. Such gain has been included in gain on dispositions of real estate on the Company's consolidated statements of income. Cash proceeds from the sales were used primarily to repay borrowings under the Company's Credit Facility.

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In addition, the Company redeemed approximately \$20 million of the preferred stock of KTR and received principal repayments of approximately \$7.2 million related to the purchase money mortgage notes, all of which was used primarily for general operating expenditures.

### Leasing Activity

During the year ended December 31, 2000, the Company leased approximately 800,000 square feet at the CBD Office Properties at an average effective rent (i.e., base rent adjusted on a straight-line basis for free rent periods, tenant improvements and leasing commissions) of \$32.80 per square foot, approximately 1.9 million square feet at the Suburban Office Properties at an average effective rent of \$22.90 per square foot and approximately 1.3 million square feet at the Industrial Properties at an average effective rent of \$7.29 per square foot. Included in this leasing data is 753,701 square feet at the Long Island Suburban Office Properties at an average effective rent of \$24.07; 590,022 square feet at the Westchester Suburban Office Properties at an average effective rent of \$23.01; 319,174 square feet at the Westchester CBD Office Properties at an average effective rent of \$23.77; 149,301 square feet at the Connecticut CBD Office Properties at an average effective rent of \$26.25; 548,878 square feet at the New Jersey Suburban Office Properties at an average effective rent of \$21.19 and 331,442 square feet at the New York City CBD Office Properties at an average effective rent of \$44.44. Also included in this leasing data is 1,222,932 square feet at the Long Island Industrial Properties at an average effective rent of \$6.88; 48,568 square feet at the Westchester Industries Properties at an average effective rent of \$17.26 and 16,150 square feet at the New Jersey Industrial Properties at an average effective rent of \$8.96.

### Financing Activities

On September 7, 2000, the Company obtained its three year \$575 million unsecured revolving 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 Credit Facility replaced the Company's existing \$500 million unsecured credit facility (together with the Credit Facility, the "Credit Facility") and \$75 million term loan. As a result, certain deferred loan costs incurred in

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connection with such unsecured credit facility and term loan were written off. Such amount is reflected as an extraordinary loss in the Company's consolidated statements of income.

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, 2000, the Company had availability under the Credit Facility to borrow an additional \$358.4 million (of which, \$51.3 million has been allocated for outstanding undrawn letters of credit).

### Other Financing Activities

On January 13, 2000, in connection with the acquisition of 1350 Avenue of the Americas, the Company obtained a secured \$70 million first mortgage commitment which matures in August 2001 and bears interest at LIBOR plus 165 basis points

On November 2, 2000, the Company obtained a three year secured \$250 million first mortgage commitment on the property located at 919 Third Avenue, New York N. Y. Interest rates on borrowings under the commitment are based on LIBOR plus a spread ranging from 110 basis points to 140 basis points based upon the outstanding balance. At closing, \$200 million was funded under the commitment at an interest rate of LIBOR plus 120 basis points. In addition, in connection with the \$200 million initial funding, the Company purchased a LIBOR interest rate hedge that provides for a maximum LIBOR rate of 9.25%. The initial funding was used primarily to repay outstanding borrowings under the Company's Credit Facility.

### Stock Offerings

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 Convertible Cumulative Preferred Stock with a liquidation preference value of \$100 million.

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## 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 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 the implementation of: (i) a multidisciplinary leasing approach that involves architectural design and construction personnel as well as leasing professionals, (ii) innovative property marketing programs such as the broker frequent leasing points program which was established by the Company to enhance relationships with the brokerage community and which allows brokers to accumulate points for leasing space in the Company's portfolio which can be redeemed for luxurious prizes, (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 and (v) an acquisition and development strategy that is continuously adjusted in light of anticipated

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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 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 less than 50%. As of December 31, 2000, the Company's debt ratio was approximately 40.6%. This calculation is net of minority partners' proportionate share of 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 strong with supply constrained markets 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 at the Long Island Properties, (ii) periodic contractual increases in Base Rent on existing leases at the 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 as a result of continued tightening of the office and industrial markets with limited new supply.

In connection with the Company's acquisition and merger transaction with Tower Realty Trust, Inc. (see External Growth below) the Company entered the New York City office market. The New York City office market is currently experiencing favorable supply and demand 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 similar potential for increase in Base Rents as described in (iii) above.

**External Growth.** The Company seeks to acquire multi-tenant suburban and CBD Class A office and 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,

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(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 dominant 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. For the near future, 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

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City office market and the opening of its New York City division provides 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.

During 1997, the Company formed FrontLine (formerly Reckson Service Industries, Inc.) and RSVP. In connection with the formation of FrontLine, the Operating Partnership established a 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 December 31, 2000, the Company had advanced approximately \$93.4 million under the FrontLine Facility. In addition, the Operating Partnership approved the funding of investments of up to \$100 million with or in RSVP (the "RSVP Commitment"), through RSVP-controlled joint ventures (for REIT-qualified investments) or advances made to FrontLine under terms similar to the FrontLine Facility. As of December 31, 2000, approximately \$83.2 million had been funded through the RSVP Commitment, of which \$41.1 million represents investments in RSVP-controlled (REIT-qualified) joint ventures and \$42.1 million represents advances. In March 2001, the Company increased the RSVP Commitment to \$110 million and advanced approximately \$24 million under the RSVP Commitment to fund additional RSVP-controlled (REIT-qualified) joint ventures. In addition, as of December 31, 2000, the Company, through its Credit Facility, has allocated approximately \$3.2 million in outstanding undrawn letters of credit for the benefit of FrontLine. Both the FrontLine Facility and the RSVP Commitment have a term of five years 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. Prior to maturity, interest is payable quarterly but only to the extent of net cash flow of FrontLine and on an interest-only basis. As of December 31, 2000, interest accrued under the FrontLine Facility and RSVP Commitment was approximately \$13.8 million.

FrontLine currently has two distinct operating units: one of which represents its interest in HQ Global Holdings, Inc., the largest provider of flexible officing solutions in the world, and the other which represents interests in technology based partner companies. RSVP invests primarily in real estate and real estate related operating companies generally outside of the Company's core office and industrial focus.

On August 27, 1998 the Company announced the formation of a joint venture with RSVP and the Dominion Group, an Oklahoma-based, privately-owned group of companies that focuses on the development, acquisition and ownership of government occupied office buildings and correctional facilities. The new venture, Dominion Properties LLC (the "Dominion Venture"), is owned by Dominion Venture Group LLC, and by a subsidiary of the Company. The Dominion Venture is primarily engaged in acquiring, developing and/or owning government-occupied office buildings and privately operated correctional facilities. Under the Dominion Venture's operating agreement, RSVP may invest up to \$100 million, some of which may be invested by the Company (the "RSVP Capital"). The initial contribution of RSVP Capital was approximately \$39 million of which approximately \$10.1 million was invested by a subsidiary of the Company. The Company's investment was funded through the RSVP Commitment. In addition, the Company advanced approximately \$3.3 million to FrontLine through the RSVP Commitment for an investment in RSVP which was then invested on a joint venture basis with the Dominion Group in certain service business activities related to the real estate activities. As of December 31, 2000, the Company had invested, through the RSVP Commitment, approximately \$20.6 million in the Dominion



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Venture which had investments in 13 government office buildings and three correctional facilities.

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As of December 31, 2000, the Company has invested approximately \$11.1 million, through a subsidiary, in RAP Student Housing Properties, LLC ("RAP -- SHP"), a company that engages primarily in the acquisition and development of off-campus student housing projects. The Company's investment was funded through the RSVP Commitment. In addition, the Company has advanced approximately \$3.5 million to FrontLine through the RSVP Commitment for an investment in RSVP which was then invested in certain service business activities related to student housing. As of December 31, 2000, RAP -- SHP had investments in seven off -- campus student housing projects. Additionally, during 2000, RAP-SHP entered into an off -- campus development joint venture with Titan Investments II, a third party national developer. The purpose of the venture is to develop or reposition off -- campus student housing projects across the United States.

As of December 31, 2000, the Company has invested approximately \$3.4 million, through a subsidiary, in RAP MD, LLC ("RAP -- MD"), a company that engages primarily in the acquisition, ownership, management and development of medical office properties. The Company's investment was funded through the RSVP Commitment. As of December 31, 2000, RAP -- MD had investments in eight medical office properties.

On September 28, 2000, the Company formed a joint venture (the "Tri-State JV") with Teachers Insurance and Annuity Association ("TIAA") and contributed eight 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. As a result, the Company realized a gain of approximately \$15.2 million. Such gain has been included in gain on dispositions of real estate on the Company's consolidated statements of income. Cash proceeds received were used primarily to repay borrowings under the Credit Facility.

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 CBD Office Properties located in New York City totaling 1.6 million square feet and one Suburban 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.

The Company controls Metropolitan and owns 100% of the common equity; Crescent owns a \$85 million preferred equity investment in Metropolitan. Crescent's investment accrues distributions at a rate of 7.5% per annum for a two-year period (May 24, 1999 through May 24, 2001) and may be redeemed by Metropolitan at any time during that period for \$85 million, plus an amount sufficient to provide a 9.5% internal rate of return. If Metropolitan does not redeem the preferred interest, upon the expiration of the two-year period, Crescent must convert its \$85 million preferred interest into either (i) a common membership interest in Metropolitan or (ii) shares of the Company's Class A common stock at a conversion price of \$24.61 per share.

Prior to the closing of the merger, the Company arranged for the sale of four of Tower's Class B New York City properties, comprising approximately 701,000 square feet for approximately \$84.5 million. Subsequent to the closing of the merger, the Company has sold a real estate joint venture interest and

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all of the property located outside the Tri-State Area other than one office property located in Orlando, Florida for approximately \$171.1 million. The combined consideration consisted of approximately \$143.8 million in cash and approximately \$27.3 million of debt relief. Net cash proceeds from the sales were used primarily to repay borrowings under the Company's Credit Facility. As a result of incurring certain sales and closing costs in connection with the sale of the assets located outside the Tri-State Area, the Company has incurred a loss of approximately \$4.4 million which has been included in gain (loss) on dispositions of real estate on the Company's consolidated statements of income.

Subsequent to the closing of the merger, the Company acquired title to 919 Third Avenue and 1350 Avenue of the Americas located in New York City. The Company holds all of the Properties in its New York City division through Metropolitan.

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### ENVIRONMENTAL MATTERS

Under various Federal, state and local laws, ordinances and regulations, 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 Office Properties and all of the 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 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.

### ITEM 2. PROPERTIES

#### GENERAL

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As of December 31, 2000, the Company owned and operated 188 Properties (including 10 joint venture office properties but excluding the RSVP -- controlled joint ventures) in the Tri-State Area encompassing approximately 21.3 million square feet. These properties consist of 65 Class A Suburban Office Properties encompassing approximately 9.1 million square feet and 17 Class A CBD Office Properties encompassing approximately 5.3 million square feet. 104 Industrial Properties encompassing approximately 6.8 million rentable square feet and two free-standing 10,000 square foot retail properties. The Company also owns a 357,000 square foot Class A office building in Orlando, Florida. The rentable square feet of each property has been determined for these purposes based on the aggregate leased square footage specified in currently effective leases and, with respect to vacant space, management's estimate. In addition, as of December 31, 2000, the Company is in the process of developing a 315,000 square foot office building and owned approximately 290 acres of land in 13 separate parcels of on which the Company can develop approximately 1.4 million square feet of office space and approximately 224,000 square feet of industrial space.

Reckson has historically emphasized the development and acquisition of properties that are in strong CBD markets or are part of large scale office and industrial parks. Approximately 37% (measured by rentable square footage) of the Office Properties are CBD Office Properties. In addition, approximately 67% of the Suburban Office Properties and approximately 59% of the Industrial Properties are located in such parks (measured by rentable square footage). 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,

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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.

Set forth below is a summary of certain information relating to the Properties, categorized by Office and Industrial Properties, as of December 31, 2000.

### OFFICE PROPERTIES

#### General

As of December 31, 2000, the Company owned or had an interest in 65 Class A Suburban Office Properties encompassing approximately 9.1 million square feet and 17 Class A CBD Office Properties encompassing approximately 5.3 million square feet. As of December 31, 2000, these Office Properties were approximately 97.2% leased (percent leased excludes properties under development) to approximately 1,100 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 65 Suburban Office Properties are located in the following ten planned office parks: the North Shore Atrium, the Huntington Melville Corporate Center, the Nassau West Corporate Center, the Tarrytown Corporate Center, the Executive Hill Office Park, the Reckson Executive Park, the University Square Office Complex, the

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Summit at Valhalla, the Mt. Pleasant Corporate Center, and the Short Hills Office Complex. 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 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 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.

The following table sets forth certain information as of December 31, 2000 for each of the Office Properties.

| PROPERTY  | PERCENTAGE OWNERSHIP | OWNERSHIP INTEREST (GROUND LEASE EXPIRATION DATE) (1) |  | YEAR CONSTRUCTED | LAND AREA (ACRES) |
|---|----------------------|---|--|------------------|-------------------|
|   |                      |   |  |                  |                   |
| 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              |
|   |                      |   |  |                  | ----              |

| PROPERTY | NUMBER OF FLOORS | RENTABLE SQUARE FEET | PERCENT LEASED | ANNUAL BASE RENT (2) | ANNUAL BASE RENT PER LEASED SQ. FT. |
|----------|------------------|----------------------|----------------|----------------------|-------------------------------------|
|          |                  |                      |                |                      |                                     |
| -----    |                  |                      |                |                      |                                     |

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Office Properties:

Huntington Melville Corporate Center, Melville, NY

|   |   |           |        |              |          |
|---|---|-----------|--------|--------------|----------|
| 395 North Service Rd .....                            | 4 | 187,393   | 99.3%  | \$ 4,924,316 | \$ 26.47 |
| 200 Broadhollow Rd .....                              | 4 | 67,432    | 100.0% | \$ 1,553,502 | \$ 23.04 |
| 48 South Service Rd .....                             | 4 | 125,372   | 100.0% | \$ 3,145,035 | \$ 25.08 |
| 35 Pinelawn Rd .....                                  | 2 | 105,241   | 92.5%  | \$ 2,011,350 | \$ 20.66 |
| 275 Broadhollow Rd . . . . .                          | 4 | 124,441   | 99.6%  | \$ 2,833,490 | \$ 22.85 |
| 58 South Service Rd (3) . . . . .                     | 4 | 277,500   | --     | --           | --       |
| 1305 Old Walt Whitman Rd .....                        | 3 | 167,400   | 98.1%  | \$ 4,124,735 | \$ 25.13 |
|   |   | -----     |        | -----        |          |
| Total--Huntington Melville Corporate Center (4) ..... |   | 1,054,779 | 98.6%  | \$18,592,428 | \$ 24.28 |
|   |   | -----     |        | -----        |          |

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| PROPERTY   | PERCENTAGE OWNERSHIP | OWNERSHIP INTEREST (GROUND LEASE EXPIRATION DATE) (1) | YEAR CONSTRUCTED | LAND AREA (ACRES) |
|--|----------------------|---|------------------|-------------------|
| 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               |

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|   |      |     |      |       |
|---|------|-----|------|-------|
| 580 White Plains Road .....             | 100% | Fee | 1977 | 6.1   |
| 660 White Plains Road .....             | 100% | Fee | 1983 | 10.9  |
|   |      |     |      | ----  |
| 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   |
|   |      |     |      | ----- |
| Total -- Mt Pleasant Corporate Center.. |      |     |      | 5.0   |
|   |      |     |      | ----- |
| 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   |

| PROPERTY   | NUMBER<br>OF FLOORS | RENTABLE<br>SQUARE<br>FEET | PERCENT<br>LEASED | ANNUAL<br>BASE<br>RENT (2) | ANNUAL<br>BASE<br>RENT<br>PER<br>LEASE<br>SQ. FT |
|--|---------------------|----------------------------|-------------------|----------------------------|--|
| -----  |                     |                            |                   |                            |  |
| North Shore Atrium, Syosset, NY                        |                     |                            |                   |                            |  |
| 6800 Jericho Turnpike<br>(North Shore Atrium I) .....  | 2                   | 209,028                    | 96.0%             | \$ 4,094,898               | \$ 20.4  |
| 6900 Jericho Turnpike<br>(North Shore Atrium II) ..... | 4                   | 95,149                     | 100.0%            | \$ 2,156,644               | \$ 22.6  |
|  |                     | -----                      |                   | -----                      |  |
| Total--North Shore Atrium .....                        |                     | 304,177                    | 97.3%             | \$ 6,251,542               | \$ 21.1  |
|  |                     | -----                      |                   | -----                      |  |
| Nassau West Corporate Center,<br>Mitchel Field, NY     |                     |                            |                   |                            |  |

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|  |    |           |        |              |         |
|--|----|-----------|--------|--------------|---------|
| 50 Charles Lindbergh Blvd.<br>(Nassau West Corporate<br>Center II) ..... | 6  | 211,845   | 96.5%  | \$ 4,567,615 | \$ 22.3 |
| 60 Charles Lindbergh Blvd.<br>(Nassau West Corporate<br>Center I) .....  | 2  | 195,998   | 100.0% | \$ 4,578,271 | \$ 23.3 |
| 51 Charles Lindbergh Blvd. ....  | 1  | 108,000   | 100.0% | \$ 2,275,649 | \$ 21.0 |
| 55 Charles Lindbergh Blvd. ....  | 2  | 214,581   | 100.0% | \$ 2,606,170 | \$ 12.1 |
| 333 Earl Ovington Blvd.<br>(The Omni) .....                              | 10 | 575,000   | 99.3%  | \$16,083,501 | \$ 28.1 |
| 90 Merrick Ave. ....   | 9  | 221,839   | 97.3%  | \$ 4,997,745 | \$ 23.1 |
| -----  |    |           |        |              |         |
| Total--Nassau West Corporate<br>Center .....                             |    | 1,527,263 | 98.9%  | \$35,108,951 | \$ 23.2 |
| -----  |    |           |        |              |         |
| Tarrytown Corporate Center   |    |           |        |              |         |
| Tarrytown, NY  |    |           |        |              |         |
| 505 White Plains Road .....  | 2  | 26,468    | 95.3%  | \$ 426,143   | \$ 16.9 |
| 520 White Plains Road .....  | 6  | 171,761   | 100.0% | \$ 3,727,762 | \$ 21.7 |
| 555 White Plains Road .....  | 5  | 121,585   | 94.1%  | \$ 2,692,386 | \$ 23.5 |
| 560 White Plains Road .....  | 6  | 126,471   | 92.7%  | \$ 2,220,688 | \$ 18.9 |
| 580 White Plains Road .....  | 6  | 170,726   | 94.6%  | \$ 3,525,079 | \$ 21.8 |
| 660 White Plains Road .....  | 6  | 258,715   | 92.7%  | \$ 5,090,460 | \$ 21.2 |
| -----  |    |           |        |              |         |
| Total--Tarrytown Corporate<br>Center .....                               |    | 875,726   | 94.8%  | \$17,682,518 | \$ 21.3 |
| -----  |    |           |        |              |         |
| Reckson Executive Park   |    |           |        |              |         |
| Rye Brook, NY  |    |           |        |              |         |
| 1 International Dr. ....   | 3  | 90,000    | 100.0% | \$ 1,170,000 | \$ 13.0 |
| 2 International Dr. ....   | 3  | 90,000    | 100.0% | \$ 1,170,000 | \$ 13.0 |
| 3 International Dr. ....   | 3  | 91,174    | 100.0% | \$ 2,015,775 | \$ 22.1 |
| 4 International Dr. ....   | 3  | 86,694    | 89.3%  | \$ 2,014,051 | \$ 26.0 |
| 5 International Dr. ....   | 3  | 90,000    | 100.0% | \$ 2,181,374 | \$ 24.2 |
| 6 International Dr. ....   | 3  | 94,016    | 100.0% | \$ 1,656,258 | \$ 17.6 |
| -----  |    |           |        |              |         |
| Total--Reckson Executive Park .....                                      |    | 541,884   | 98.3%  | \$10,207,458 | \$ 19.1 |
| -----  |    |           |        |              |         |
| Summit at Valhalla   |    |           |        |              |         |
| Valhalla, NY   |    |           |        |              |         |
| 100 Summit Dr. ....  | 4  | 249,551   | 95.7%  | \$ 5,125,534 | \$ 21.4 |
| 200 Summit Dr. ....  | 4  | 240,834   | 89.7%  | \$ 4,610,306 | \$ 21.3 |
| 500 Summit Dr. ....  | 4  | 208,660   | 100.0% | \$ 5,633,820 | \$ 27.0 |
| -----  |    |           |        |              |         |
| Total -- Summit at Valhalla .....  |    | 699,045   | 94.9%  | \$15,369,660 | \$ 23.1 |
| -----  |    |           |        |              |         |
| Mt. Pleasant Corporate Center .....                                      |    |           |        |              |         |
| 115/117 Stevens Ave. ....  | 3  | 162,004   | 95.6%  | \$ 2,895,825 | \$ 18.7 |
| -----  |    |           |        |              |         |
| Total -- Mt Pleasant Corporate Center..                                  |    | 162,004   | 95.6%  | \$ 2,895,825 | \$ 18.7 |
| -----  |    |           |        |              |         |
| Landmark Square  |    |           |        |              |         |
| Stamford, CT   |    |           |        |              |         |
| One Landmark Square .....  | 22 | 296,716   | 89.2%  | \$ 6,311,100 | \$ 23.8 |
| Two Landmark Square .....  | 3  | 39,701    | 87.8%  | \$ 717,196   | \$ 20.5 |
| Three Landmark Square .....  | 6  | 128,286   | 100.0% | \$ 1,687,016 | \$ 13.1 |
| Four Landmark Square .....   | 5  | 104,446   | 93.9%  | \$ 1,723,990 | \$ 17.5 |
| Five Landmark Square .....   | 3  | 57,273    | 100.0% | \$ 302,731   | \$ 5.2  |
| Six Landmark Square .....  | 10 | 171,899   | 96.9%  | \$ 3,920,672 | \$ 23.5 |
| -----  |    |           |        |              |         |
| Total -- Landmark Square .....   |    | 798,321   | 94.0%  | \$14,662,705 | \$ 19.5 |
| -----  |    |           |        |              |         |

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|                                    |    |         |       |              |         |
|------------------------------------|----|---------|-------|--------------|---------|
| Stamford Towers Stamford, CT ..... |    |         |       |              |         |
| 680 Washington Blvd. ....          | 11 | 132,759 | 99.5% | \$ 3,786,544 | \$ 28.6 |

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| PROPERTY                                       | PERCENTAGE OWNERSHIP | OWNERSHIP INTEREST (GROUND LEASE EXPIRATION DATE) (1) | YEAR CONSTRUCTED | LAND AREA (ACRES) |
|--|----------------------|---|------------------|-------------------|
| 750 Washington Blvd. ....                      | 51%                  | Fee   | 1989             | 2.4               |
| Total--Stamford Towers .....                   |                      |   |                  | 3.7               |
| Stand-alone Long Island Properties             |                      |   |                  |                   |
| 400 Garden City Plaza<br>Garden City, NY ..... | 51%                  | Fee   | 1989             | 5.7               |
| 88 Duryea Rd.<br>Melville, NY .....            | 100%                 | Fee   | 1986             | 1.5               |
| 310 East Shore Rd.<br>Great Neck, NY .....     | 100%                 | Fee   | 1981             | 1.5               |
| 333 East Shore Rd.<br>Great Neck, NY .....     | 100%                 | Leasehold<br>(2,030)                                  | 1976             | 1.5               |
| 520 Broadhollow Rd.<br>Melville, NY .....      | 100%                 | Fee   | 1978             | 7.0               |
| 1660 Walt Whitman Rd.<br>Melville, NY .....    | 100%                 | Fee   | 1980             | 6.5               |
| 125 Baylis Rd.<br>Melville, NY .....           | 100%                 | Fee   | 1980             | 8.2               |
| 150 Motor Parkway<br>Hauppauge, NY .....       | 100%                 | Fee   | 1984             | 11.3              |
| 1979 Marcus Ave.<br>Lake Success, NY .....     | 100%                 | Fee   | 1987             | 8.6               |
| 120 Mineola Blvd.<br>Mineola, NY .....         | 100%                 | Fee   | 1989             | 0.7               |
| 538 Broadhollow Road<br>Melville, NY .....     | 100%                 | Fee   | 1986             | 7.5               |
| 50 Marcus Drive,<br>Melville, NY .....         | 100%                 | Fee   | 2000 (5)         | 12.9              |
| Total--Stand-alone Long Island .....           |                      |   |                  | 72.9              |
| Stand-alone Westchester Properties             |                      |   |                  |                   |
| 155 White Plains Road,<br>Tarrytown, NY .....  | 100%                 | Fee   | 1963             | 13.2              |
| 235 Main Street, White<br>Plains, NY .....     | 100%                 | Fee   | 1974 (5)         | 0.4               |
| 245 Main Street<br>White Plains, NY .....      | 100%                 | Fee   | 1983             | 0.4               |
| 120 White Plains Rd.<br>Tarrytown, NY .....    | 51%                  | Fee   | 1984             | 9.7               |
| 80 Grasslands<br>Elmsford, NY .....            | 100%                 | Fee   | 1989             | 4.9               |
| 360 Hamilton Avenue<br>White Plains, NY .....  | 100%                 | Fee   | 1977             | 1.5               |
| 140 Grand Street<br>White Plains, NY .....     | 100%                 | Fee   | 1991             | 2.2               |



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|                                   |      |     |      |      |      |
|-----------------------------------|------|-----|------|------|------|
| Total Stand-alone Westchester     |      |     |      |      | ---- |
| Properties .....                  |      |     |      |      | 32.3 |
| -----                             |      |     |      |      |      |
| 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 West John F. Kennedy          |      |     |      |      |      |
| Parkway .....                     | 100% | Fee | 1981 | 9.0  |      |
| 101 East John F. Kennedy          |      |     |      |      |      |
| Parkway .....                     | 100% | Fee | 1981 | 6.0  |      |
| 51 John F Kennedy Parkway .....   | 51%  | Fee | 1988 | 11.0 |      |
| -----                             |      |     |      |      |      |

| PROPERTY                     | NUMBER<br>OF FLOORS | RENTABLE<br>SQUARE<br>FEET | PERCENT<br>LEASED | ANNUAL<br>BASE<br>RENT (2) | ANNUAL<br>BASE<br>RENT<br>PER<br>LEASED<br>SQ. FT. |
|------------------------------|---------------------|----------------------------|-------------------|----------------------------|--|
| 750 Washington Blvd. ....    | 11                  | 192,108                    | 99.6%             | \$ 4,675,265               | \$ 24.44   |
| Total--Stamford Towers ..... |                     | 324,867                    | 99.6%             | \$ 8,461,809               | \$ 21.15   |
| -----                        |                     |                            |                   |                            |  |
| Stand-alone Long Island      |                     |                            |                   |                            |  |
| Properties                   |                     |                            |                   |                            |  |
| 400 Garden City Plaza        |                     |                            |                   |                            |  |
| Garden City, NY .....        | 5                   | 176,073                    | 96.6%             | \$ 4,100,754               | \$ 24.12   |
| 88 Duryea Rd.                |                     |                            |                   |                            |  |
| Melville, NY .....           | 2                   | 25,061                     | 96.7%             | \$ 406,370                 | \$ 16.77   |
| 310 East Shore Rd.           |                     |                            |                   |                            |  |
| Great Neck, NY .....         | 4                   | 50,000                     | 91.2%             | \$ 1,056,684               | \$ 23.17   |
| 333 East Shore Rd.           |                     |                            |                   |                            |  |
| Great Neck, NY .....         | 2                   | 17,715                     | 99.6%             | \$ 452,678                 | \$ 25.65   |
| 520 Broadhollow Rd.          |                     |                            |                   |                            |  |
| Melville, NY .....           | 1                   | 83,176                     | 71.1%             | \$ 1,193,719               | \$ 20.19   |
| 1660 Walt Whitman Rd.        |                     |                            |                   |                            |  |
| Melville, NY .....           | 1                   | 73,115                     | 99.9%             | \$ 1,435,770               | \$ 19.66   |
| 125 Baylis Rd.               |                     |                            |                   |                            |  |
| Melville, NY .....           | 2                   | 98,329                     | 95.3%             | \$ 1,842,756               | \$ 19.66   |
| 150 Motor Parkway            |                     |                            |                   |                            |  |
| Hauppauge, NY .....          | 4                   | 191,447                    | 96.1%             | \$ 4,152,752               | \$ 22.56   |

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|   |    |           |        |              |          |
|---|----|-----------|--------|--------------|----------|
| 1979 Marcus Ave.<br>Lake Success, NY .....        | 4  | 326,612   | 100.0% | \$ 7,159,400 | \$ 21.92 |
| 120 Mineola Blvd.<br>Mineola, NY .....            | 6  | 101,000   | 100.0% | \$ 2,398,421 | \$ 23.75 |
| 538 Broadhollow Road<br>Melville, NY .....        | 4  | 180,339   | 95.7%  | \$ 4,121,324 | \$ 23.89 |
| 50 Marcus Drive,<br>Melville, NY .....            | 2  | 163,762   | 100.0% | \$ 1,074,688 | \$ 6.56  |
|   |    | -----     |        | -----        |          |
| Total--Stand-alone Long Island .....              |    | 1,486,629 | 96.6%  | \$29,395,316 | \$ 22.26 |
|   |    | -----     |        | -----        |          |
| Stand-alone Westchester                           |    |           |        |              |          |
| Properties  |    |           |        |              |          |
| 155 White Plains Road,<br>Tarrytown, NY .....     | 2  | 60,909    | 99.6%  | \$ 1,168,551 | \$ 19.27 |
| 235 Main Street, White<br>Plains, NY .....        | 6  | 83,237    | 93.8%  | \$ 1,513,711 | \$ 19.38 |
| 245 Main Street<br>White Plains, NY .....         | 6  | 73,543    | 93.3%  | \$ 1,216,955 | \$ 17.75 |
| 120 White Plains Rd.<br>Tarrytown, NY .....       | 6  | 197,785   | 99.6%  | \$ 4,730,530 | \$ 24.03 |
| 80 Grasslands<br>Elmsford, NY .....               | 3  | 85,104    | 100.0% | \$ 1,695,536 | \$ 19.92 |
| 360 Hamilton Avenue<br>White Plains, NY .....     | 12 | 382,000   | 96.5%  | \$ 7,465,521 | \$ 20.26 |
| 140 Grand Street<br>White Plains, NY .....        | 9  | 130,136   | 93.0%  | \$ 2,663,153 | \$ 22.00 |
|   |    | -----     |        | -----        |          |
| Total Stand-alone Westchester<br>Properties ..... |    | 1,012,714 | 96.7%  | \$20,453,957 | \$ 20.89 |
|   |    | -----     |        | -----        |          |
| Executive Hill Office Park                        |    |           |        |              |          |
| West Orange, NJ                                   |    |           |        |              |          |
| 100 Executive Dr .....                            | 3  | 92,872    | 100.0% | \$ 1,917,717 | \$ 20.65 |
| 200 Executive Dr .....                            | 4  | 102,630   | 99.9%  | \$ 2,204,345 | \$ 20.94 |
| 300 Executive Dr .....                            | 4  | 126,196   | 100.0% | \$ 2,213,881 | \$ 17.54 |
| 10 Rooney Circle .....                            | 3  | 69,684    | 100.0% | \$ 1,406,904 | \$ 20.19 |
|   |    | -----     |        | -----        |          |
| Total--Executive Hill Office Park                 |    | 391,382   | 100.0% | \$ 7,742,847 | \$ 19.78 |
|   |    | -----     |        | -----        |          |
| University Square                                 |    |           |        |              |          |
| Princeton, NJ                                     |    |           |        |              |          |
| 100 Campus Dr. ....                               | 1  | 27,350    | 100.0% | \$ 622,621   | \$ 22.76 |
| 104 Campus Dr. ....                               | 1  | 70,155    | 100.0% | \$ 1,515,517 | \$ 21.60 |
| 115 Campus Dr. ....                               | 1  | 33,600    | 100.0% | \$ 721,107   | \$ 21.46 |
|   |    | -----     |        | -----        |          |
| Total University Square .....                     |    | 131,105   | 100.0% | \$ 2,859,245 | \$ 21.81 |
|   |    | -----     |        | -----        |          |
| Short Hills Office Complex                        |    |           |        |              |          |
| Short Hills, NJ                                   |    |           |        |              |          |
| 101 West John F. Kennedy<br>Parkway .....         | 6  | 185,233   | 100.0% | \$ 2,963,728 | \$ 16.00 |
| 101 East John F. Kennedy<br>Parkway .....         | 4  | 122,841   | 100.0% | \$ 655,152   | \$ 5.33  |
| 51 John F Kennedy Parkway .....                   | 5  | 248,962   | 100.0% | \$ 8,790,239 | \$ 33.79 |
|   |    | -----     |        | -----        |          |

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| PROPERTY                                       | PERCENTAGE OWNERSHIP | OWNERSHIP INTEREST (GROUND LEASE EXPIRATION DATE) (1) | YEAR CONSTRUCTED | LAND AREA (ACRES) | NUMBER OF FLOORS |
|--|----------------------|---|------------------|-------------------|------------------|
| Total -- Short Hills Office .....              |                      |   |                  | 26.0              |                  |
| Stand-alone New Jersey Properties              |                      |   |                  |                   |                  |
| 1 Paragon Drive                                |                      |   |                  |                   |                  |
| Montvale, NJ .....                             | 100%                 | Fee   | 1980             | 11                | 2                |
| 99 Cherry Hill Road                            |                      |   |                  |                   |                  |
| Parsippany, NJ .....                           | 100%                 | Fee   | 1982             | 8.8               | 3                |
| 119 Cherry Hill Road                           |                      |   |                  |                   |                  |
| Parsippany, NJ .....                           | 100%                 | Fee   | 1982             | 9.3               | 3                |
| One Eagle Rock                                 |                      |   |                  |                   |                  |
| Hanover, NJ .....                              | 100%                 | Fee   | 1986             | 10.4              | 3                |
| 155 Passaic Ave.                               |                      |   |                  |                   |                  |
| Fairfield, NJ .....                            | 100%                 | Fee   | 1984             | 3.6               | 4                |
| 3 University Plaza                             |                      |   |                  |                   |                  |
| Hackensack, NJ .....                           | 100%                 | Fee   | 1985             | 10.6              | 6                |
| 1255 Broad Street                              |                      |   |                  |                   |                  |
| Clifton, NJ .....                              | 100%                 | Fee   | 1968             | 11.1              | 2                |
| 492 River Rd,                                  |                      |   |                  |                   |                  |
| Nutley, NJ .....                               | 100%                 | Fee   | 1952             | 17.3              | 13               |
| Total Stand-alone New Jersey Properties .....  |                      |   |                  | 82.1              |                  |
| New York City Properties                       |                      |   |                  |                   |                  |
| 120 W. 45th Street New York, NY                | 100%                 | Fee   | 1989             | 0.4               | 40               |
| 100 Wall Street                                |                      |   |                  |                   |                  |
| New York, NY .....                             | 100%                 | Fee   | 1969             | 0.5               | 29               |
| 810 Seventh Avenue                             |                      |   |                  |                   |                  |
| New York, NY .....                             | 100%                 | Fee   | 1970             | 0.6               | 42               |
| 919 Third Avenue                               |                      |   |                  |                   |                  |
| New York, NY .....                             | 100%                 | Fee (7)   | 1971             | 1.5               | 47               |
| 1350 Avenue of the Americas                    |                      |   |                  |                   |                  |
| New York, NY .....                             | 100%                 | Fee   | 1966             | 0.6               | 35               |
| Total -- New York City Office Properties ..... |                      |   |                  | 3.6               |                  |
| Total--Office Properties (4) .....             |                      |   |                  | 573.3             |                  |

| PROPERTY | RENTABLE SQUARE FEET | PERCENT LEASED | ANNUAL BASE RENT (2) | ANNUAL BASE RENT PER LEASED SQ. FT. | NUMBER OF TENANTS LEAS |
|----------|----------------------|----------------|----------------------|-------------------------------------|------------------------|
| -----    | -----                | -----          | -----                | -----                               | -----                  |

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|   |            |        |               |          |       |
|---|------------|--------|---------------|----------|-------|
| Total -- Short Hills Office .....                 | 557,036    | 100.0% | \$ 12,409,119 | \$ 22.28 |       |
|   | -----      |        | -----         |          |       |
| Stand-alone New Jersey<br>Properties              |            |        |               |          |       |
| 1 Paragon Drive                                   |            |        |               |          |       |
| Montvale, NJ .....                                | 104,599    | 81.6%  | \$ 1,763,074  | \$ 20.67 |       |
| 99 Cherry Hill Road                               |            |        |               |          |       |
| Parsippany, NJ .....                              | 93,250     | 99.0%  | \$ 1,746,078  | \$ 18.92 |       |
| 119 Cherry Hill Road                              |            |        |               |          |       |
| Parsippany, NJ .....                              | 95,724     | 99.9%  | \$ 1,908,205  | \$ 19.96 |       |
| One Eagle Rock                                    |            |        |               |          |       |
| Hanover, NJ .....                                 | 140,000    | 100.0% | \$ 3,223,210  | \$ 23.02 |       |
| 155 Passaic Ave.                                  |            |        |               |          |       |
| Fairfield, NJ .....                               | 87,986     | 100.0% | \$ 1,348,254  | \$ 15.32 |       |
| 3 University Plaza                                |            |        |               |          |       |
| Hackensack, NJ .....                              | 216,403    | 93.2%  | \$ 4,041,680  | \$ 20.04 |       |
| 1255 Broad Street                                 |            |        |               |          |       |
| Clifton, NJ .....                                 | 193,574    | 100.0% | \$ 4,259,924  | \$ 22.01 |       |
| 492 River Rd,                                     |            |        |               |          |       |
| Nutley, NJ .....                                  | 130,009    | 100.0% | \$ 1,358,105  | \$ 10.45 |       |
|   | -----      |        | -----         |          |       |
| Total Stand-alone New Jersey<br>Properties .....  | 1,061,545  | 96.9%  | \$ 19,648,530 | \$ 19.10 |       |
|   | -----      |        | -----         |          |       |
| New York City Properties                          |            |        |               |          |       |
| 120 W. 45th Street New York, NY                   | 443,109    | 100.0% | \$ 15,908,898 | \$ 35.90 |       |
| 100 Wall Street                                   |            |        |               |          |       |
| New York, NY .....                                | 458,626    | 99.3%  | \$ 14,063,841 | \$ 30.89 |       |
| 810 Seventh Avenue                                |            |        |               |          |       |
| New York, NY .....                                | 692,060    | 95.1%  | \$ 23,323,658 | \$ 35.44 |       |
| 919 Third Avenue                                  |            |        |               |          |       |
| New York, NY .....                                | 1,374,966  | 99.1%  | \$ 32,217,043 | \$ 23.95 |       |
| 1350 Avenue of the Americas                       |            |        |               |          |       |
| New York, NY .....                                | 540,000    | 92.8%  | \$ 15,848,017 | \$ 31.62 |       |
|   | -----      |        | -----         |          |       |
| Total -- New York City Office<br>Properties ..... | 3,508,761  | 97.0%  | \$101,361,457 | \$ 29.45 | 2     |
|   | -----      |        | -----         |          |       |
| Total--Office Properties (4) .....                | 14,437,238 | 97.2%  | \$323,103,367 | \$ 23.48 | 1,1   |
|   | =====      |        | =====         |          | ===== |

(1) Ground lease expirations assume exercise of renewal options by the lessee.

(2) Represents Base Rent of signed leases at December 31, 2000 adjusted for scheduled contractual increases during the 12 months ending December 31, 2001. Total Base Rent for these purposes reflects the effect of any lease expirations that occur during the 12-month period ending December 31, 2001. 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 leases 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

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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.

INDUSTRIAL PROPERTIES

General

As of December 31, 2000, the Company owned or had an interest in 104 Industrial Properties that encompass approximately 6.8 million rentable square feet. As of December 31, 2000, the Industrial Properties were approximately 97.5% leased (percentage leased excludes properties under development) to approximately 230 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

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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 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 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 86% of the Industrial Properties, measured by square footage, 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.

In addition to the Industrial Properties on Long Island, the Company owns nine Industrial Properties in the other suburban markets. These properties encompass approximately 940,000 square feet and were approximately 93% leased as of December 31, 2000.

The following table sets forth certain information as of December 31, 2000 for each of the Industrial Properties.

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

Industrial Properties:

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|                            |      |     |      |     |    |  |
|----------------------------|------|-----|------|-----|----|--|
| 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 |  |
| 85 Nikon 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 |  |

| PROPERTY | PERCENTAGE<br>OFFICE/<br>RESEARCH<br>AND<br>DEVELOP-<br>MENT<br>FINISH | RENTABLE<br>SQUARE<br>FEET | PERCENT<br>LEASED | ANNUAL<br>BASE<br>RENT (2) | ANNUAL<br>BASE<br>RENT<br>PER<br>LEASED<br>SQ. FT. | NUMBER<br>OF<br>TENANT<br>LEASES |
|----------|--|----------------------------|-------------------|----------------------------|--|----------------------------------|
|----------|--|----------------------------|-------------------|----------------------------|--|----------------------------------|

Industrial Properties:

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Vanderbilt Industrial Park  
Hauppauge, NY

|                                    |      |         |        |           |          |    |
|------------------------------------|------|---------|--------|-----------|----------|----|
| 360 Vanderbilt Motor Parkway ..... | 62%  | 54,000  | 100.0% | \$543,780 | \$ 10.07 | 1  |
| 410 Vanderbilt Motor Parkway ..... | 7%   | 41,784  | 90.4%  | \$ 98,302 | \$ 2.60  | 3  |
| 595 Old Willets Path .....         | 14%  | 31,670  | 100.0% | \$192,605 | \$ 6.08  | 4  |
| 611 Old Willets Path .....         | 11%  | 20,000  | 100.0% | \$127,550 | \$ 6.38  | 2  |
| 631/641 Old Willets Path.          | 31%  | 25,000  | 100.0% | \$ 95,560 | \$ 3.82  | 4  |
| 651/661 Old Willets Path..         | 45%  | 25,000  | 100.0% | \$184,479 | \$ 7.38  | 7  |
| 681 Old Willets Path .....         | 10%  | 15,000  | 100.0% | \$102,414 | \$ 6.83  | 1  |
| 740 Old Willets Path .....         | 5%   | 30,000  | 100.0% | \$ 29,670 | \$ 0.99  | 1  |
| 325 Rabro Dr .....                 | 10%  | 35,000  | 100.0% | \$204,560 | \$ 5.84  | 2  |
| 250 Kennedy Dr .....               | 9%   | 127,980 | 100.0% | \$455,298 | \$ 3.56  | 1  |
| 90 Plant Ave .....                 | 13%  | 75,000  | 100.0% | \$452,744 | \$ 6.04  | 3  |
| 110 Plant Ave .....                | 8%   | 125,000 | 100.0% | \$156,250 | \$ 1.25  | 1  |
| 55 Engineers Rd .....              | 8%   | 36,000  | 100.0% | \$351,878 | \$ 9.77  | 1  |
| 65 Engineers Rd .....              | 10%  | 23,000  | 100.0% | \$131,198 | \$ 5.70  | 1  |
| 85 Engineers Rd .....              | 5%   | 40,800  | 100.0% | \$221,601 | \$ 5.43  | 2  |
| 100 Engineers Rd .....             | 11%  | 88,000  | 100.0% | \$ 79,271 | \$ 0.90  | 1  |
| 150 Engineers Rd .....             | 11%  | 135,000 | 100.0% | \$414,528 | \$ 3.07  | 1  |
| 20 Oser Ave .....                  | 18%  | 42,000  | 98.7%  | \$326,963 | \$ 7.89  | 2  |
| 30 Oser Ave .....                  | 21%  | 42,000  | 82.1%  | \$212,926 | \$ 6.17  | 4  |
| 40 Oser Ave .....                  | 33%  | 59,800  | 80.3%  | \$335,405 | \$ 6.99  | 11 |
| 50 Oser Ave .....                  | 15%  | 60,000  | 100.0% | \$240,000 | \$ 4.00  | 1  |
| 60 Oser Ave .....                  | 19%  | 48,000  | 100.0% | \$192,000 | \$ 4.00  | 1  |
| 63 Oser Ave .....                  | 9%   | 22,000  | 100.0% | \$ 68,961 | \$ 3.13  | 1  |
| 65 Oser Ave .....                  | 10%  | 20,000  | 100.0% | \$ 99,670 | \$ 4.98  | 1  |
| 73 Oser Ave .....                  | 15%  | 20,000  | 100.0% | \$ 21,271 | \$ 1.06  | 1  |
| 80 Oser Ave .....                  | 25%  | 19,500  | 100.0% | \$ 67,516 | \$ 3.46  | 1  |
| 85 Nikon Ct .....                  | 10%  | 104,000 | 100.0% | \$544,515 | \$ 5.24  | 1  |
| 90 Oser Ave .....                  | 26%  | 37,500  | 100.0% | \$130,779 | \$ 3.49  | 1  |
| 104 Parkway Dr. ....               | 50%  | 27,600  | 100.0% | \$208,033 | \$ 7.54  | 1  |
| 110 Ricefield Ln .....             | 25%  | 32,264  | 100.0% | \$166,220 | \$ 5.15  | 1  |
| 120 Ricefield Ln .....             | 24%  | 33,060  | 100.0% | \$134,055 | \$ 4.05  | 1  |
| 125 Ricefield Ln .....             | 20%  | 30,495  | 100.0% | \$206,643 | \$ 6.78  | 1  |
| 135 Ricefield Ln .....             | 10%  | 32,340  | 100.0% | \$209,761 | \$ 6.49  | 1  |
| 85 Adams Dr .....                  | 90%  | 20,000  | 100.0% | \$278,817 | \$ 13.94 | 1  |
| 395 Oser Ave .....                 | 100% | 50,000  | 99.0%  | \$441,045 | \$ 8.91  | 1  |

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

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|                               |      |     |      |       |    |
|-------------------------------|------|-----|------|-------|----|
| 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                    |      |     |      |       |    |
| 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.                |      |     |      |       |    |
| Islandia, NY .....            | 100% | Fee | 1970 | 5.8   | 16 |
| 135 Fell Ct. Islip, NY .....  | 100% | Fee | 1965 | 3.2   | 16 |
|                               |      |     |      | ----- |    |
| Subtotal Islip/Islandia ..... |      |     |      | 17.5  |    |
|                               |      |     |      | ----- |    |



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| PROPERTY                                      | PERCENTAGE<br>OFFICE/<br>RESEARCH<br>AND<br>DEVELOP-<br>MENT<br>FINISH | RENTABLE<br>SQUARE<br>FEET | PERCENT<br>LEASED | ANNUAL<br>BASE<br>RENT (2) | ANNUAL<br>BASE<br>RENT<br>PER<br>LEASED<br>SQ. FT. | NUMB<br>OF<br>TENAN<br>LEASE |
|---|--|----------------------------|-------------------|----------------------------|--|------------------------------|
| 185 Oser Ave .....                            | 40%  | 30,000                     | --                | --                         | --   | --                           |
| 25 Davids Dr .....                            | 90%  | 40,000                     | 100.0%            | \$ 334,516                 | \$ 8.36  | --                           |
| 45 Adams Ave .....                            | 90%  | 28,000                     | 100.0%            | \$ 226,333                 | \$ 8.08  | --                           |
| 225 Oser Ave .....                            | 80%  | 10,000                     | 99.6%             | \$ 116,175                 | \$ 11.67   | --                           |
| 180 Oser Ave .....                            | 35%  | 61,868                     | 89.9%             | \$ 424,419                 | \$ 7.63  | --                           |
| 360 Oser Ave .....                            | 35%  | 23,000                     | 100.0%            | \$ 96,600                  | \$ 4.20  | --                           |
| 400 Oser Ave .....                            | 30%  | 164,936                    | 89.3%             | \$ 1,256,877               | \$ 8.53  | 2                            |
| 375 Oser Ave .....                            | 40%  | 20,000                     | 100.0%            | \$ 154,388                 | \$ 7.72  | --                           |
| 425 Rabro Drive .....                         | 25%  | 65,641                     | 99.7%             | \$ 469,536                 | \$ 7.18  | --                           |
| 390 Motor Parkway .....                       | 4%   | 181,155                    | 100.0%            | \$ 813,435                 | \$ 4.49  | --                           |
| 400 Moreland Road(3) .....                    | 10%  | 56,875                     | --                | --                         | --   | --                           |
| 600 Old Willets Path .....                    | 25%  | 69,627                     | 100.0%            | \$ 405,061                 | \$ 5.82  | --                           |
| Total Vanderbilt<br>Industrial Park (4) ..... |  | 2,379,895                  | 96.8%             | \$12,023,608               | \$ 5.35  | 10                           |
| Airport International Plaza<br>Islip, NY      |  |                            |                   |                            |  |                              |
| 20 Orville Dr .....                           | 50%  | 12,852                     | 100.0%            | \$ 181,720                 | \$ 14.09   | --                           |
| 25 Orville Dr .....                           | 100%   | 32,300                     | 100.0%            | \$ 490,561                 | \$ 15.19   | --                           |
| 50 Orville Dr .....                           | 20%  | 28,000                     | 99.8%             | \$ 254,320                 | \$ 9.10  | --                           |
| 65 Orville Dr .....                           | 13%  | 32,000                     | 100.0%            | \$ 171,588                 | \$ 5.36  | --                           |
| 70 Orville Dr .....                           | 7%   | 41,508                     | 100.0%            | \$ 315,731                 | \$ 7.61  | --                           |
| 80 Orville Dr .....                           | 21%  | 92,544                     | 100.0%            | \$ 668,272                 | \$ 7.22  | --                           |
| 85 Orville Dr .....                           | 20%  | 25,000                     | 100.0%            | \$ 160,569                 | \$ 6.42  | --                           |
| 95 Orville Dr .....                           | 10%  | 25,000                     | 100.0%            | \$ 147,583                 | \$ 5.90  | --                           |
| 110 Orville Dr .....                          | 15%  | 110,000                    | 100.0%            | \$ 646,433                 | \$ 5.88  | --                           |
| 180 Orville Dr .....                          | 18%  | 37,612                     | 100.0%            | \$ 191,971                 | \$ 5.10  | --                           |
| 1101 Lakeland Ave .....                       | 8%   | 90,411                     | 100.0%            | \$ 531,315                 | \$ 5.88  | --                           |
| 1385 Lakeland Ave .....                       | 18%  | 35,000                     | 64.3%             | \$ 162,344                 | \$ 7.22  | --                           |
| 125 Wilbur Place .....                        | 31%  | 62,686                     | 77.1%             | \$ 248,547                 | \$ 5.14  | --                           |
| 140 Wilbur Place .....                        | 37%  | 48,500                     | 100.0%            | \$ 210,494                 | \$ 4.34  | --                           |
| 160 Wilbur Place .....                        | 30%  | 62,710                     | 100.0%            | \$ 481,790                 | \$ 7.68  | --                           |
| 170 Wilbur Place .....                        | 28%  | 72,062                     | 100.0%            | \$ 407,680                 | \$ 5.65  | --                           |
| 4040 Veterans Highway .....                   | 100%   | 2,800                      | 100.0%            | \$ 45,051                  | \$ 16.09   | --                           |
| 120 Wilbur Place .....                        | 15%  | 35,000                     | 100.0%            | \$ 196,470                 | \$ 5.61  | --                           |
| 2002 Orville Drive<br>North .....             | 17%  | 206,000                    | 100.0%            | \$ 1,569,100               | \$ 7.62  | --                           |
| 2004 Orville Drive<br>North .....             | 20%  | 106,515                    | 100.0%            | \$ 732,042                 | \$ 6.87  | --                           |
| 2005 Orville Drive<br>North .....             | 20%  | 130,010                    | 100.0%            | \$ 945,977                 | \$ 7.28  | --                           |
| Total Airport<br>International Plaza .....    |  | 1,288,510                  | 98.1%             | \$ 8,759,558               | 6.93   | 5                            |
| County Line Industrial Center<br>Melville, NY |  |                            |                   |                            |  |                              |

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|  |     |         |        |              |         |
|--|-----|---------|--------|--------------|---------|
| 5 Hub Dr .....                               | 20% | 88,001  | 100.0% | \$ 536,268   | \$ 6.09 |
| 10 Hub Dr .....                              | 15% | 95,546  | 100.0% | \$ 698,888   | \$ 7.94 |
| 30 Hub Drive .....                           | 18% | 73,127  | 100.0% | \$ 483,286   | \$ 6.61 |
| 265 Spagnoli Rd .....                        | 28% | 85,500  | 100.0% | \$ 673,610   | \$ 7.87 |
| -----  |     |         |        |              |         |
| Total County Line<br>Industrial Center ..... |     | 342,174 | 100.0% | \$ 2,392,052 | \$ 6.99 |
| -----  |     |         |        |              |         |
| Standalone Long Island<br>Properties         |     |         |        |              |         |
| 32 Windsor Pl. Islip, NY                     | 10% | 43,000  | 100.0% | \$ 144,127   | \$ 3.35 |
| 42 Windsor Pl. Islip, NY                     | 8%  | 65,000  | 100.0% | \$ 234,744   | \$ 3.61 |
| 208 Blydenburgh Rd.<br>Islandia, NY .....    | 17% | 24,000  | 100.0% | \$ 125,681   | \$ 5.24 |
| 210 Blydenburgh Rd.<br>Islandia, NY .....    | 16% | 20,000  | 100.0% | \$ 115,127   | \$ 5.76 |
| 71 Hoffman Ln.<br>Islandia, NY .....         | 10% | 30,400  | 100.0% | \$ 193,701   | \$ 6.37 |
| 135 Fell Ct. Islip, NY .....                 | 20% | 30,000  | 100.0% | \$ 240,992   | \$ 8.03 |
| -----  |     |         |        |              |         |
| Subtotal Islip/Islandia .....                |     | 212,400 | 100.0% | \$ 1,054,371 | \$ 4.96 |
| -----  |     |         |        |              |         |

I-13

| PROPERTY                                       | PERCENTAGE OWNERSHIP | OWNERSHIP INTEREST (GROUND LEASE EXPIRATION DATE) | YEAR CONSTRUCTED | LAND AREA (ACRES) | CLEARANCE HEIGHT (FEET) |
|--|----------------------|---|------------------|-------------------|-------------------------|
| -----  |                      |   |                  |                   |                         |
| 70 Schmitt Boulevard,<br>Farmingdale, NY ..... | 100%                 | Fee   | 1975             | 4.4               | 18                      |
| 105 Price Parkway,<br>Farmingdale, NY .....    | 100%                 | Fee   | 1969             | 12.0              | 26                      |
| 110 Bi County Blvd.<br>Farmingdale, NY .....   | 100%                 | Fee   | 1984             | 9.5               | 19                      |
| Subtotal Farmingdale .....                     |                      |   |                  | 25.9              |                         |
| -----  |                      |   |                  |                   |                         |
| 70 Maxess Rd,<br>Melville, NY .....            | 100%                 | Fee   | 1969             | 9.3               | 15                      |
| 20 Melville Park Rd,<br>Melville, NY .....     | 100%                 | Fee   | 1965             | 4.0               | 23                      |
| 45 Melville Park Drive,<br>Melville, NY .....  | 100%                 | Fee   | 1998             | 4.2               | 24                      |
| 65 Marcus Drive<br>Melville, NY .....          | 100%                 | Fee   | 1968             | 5.0               | 16                      |
| Subtotal Melville .....                        |                      |   |                  | 22.5              |                         |
| -----  |                      |   |                  |                   |                         |
| 300 Motor Parkway,<br>Hauppauge, NY .....      | 100%                 | Fee   | 1979             | 4.2               | 14                      |
| 1516 Motor Parkway,<br>Hauppauge, NY .....     | 100%                 | Fee   | 1981             | 7.9               | 24                      |
| Subtotal Hauppauge .....                       |                      |   |                  | 12.1              |                         |
| -----  |                      |   |                  |                   |                         |

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|  |      |              |      |       |    |  |
|--|------|--------------|------|-------|----|--|
| -----  |      |              |      |       |    |  |
| 933 Motor Parkway<br>Smithtown, NY .....                       | 100% | Fee          | 1973 | 5.6   | 20 |  |
| 65 S. Service Rd ,<br>Plainview, NY(5) .....                   | 100% | Fee          | 1961 | 1.6   | 14 |  |
| 85 S. Service Rd.<br>Plainview, NY .....                       | 100% | Fee          | 1961 | 1.6   | 14 |  |
| 19 Nicholas Dr.,<br>Yaphank, NY (6) .....                      | 100% | Fee          | 1989 | 29.6  | 24 |  |
| 48 Harbor Park Dr.,<br>Port Washington, NY                     | 100% | Fee          | 1976 | 2.7   | 16 |  |
| 110 Marcus Dr.,<br>Huntington, NY .....                        | 100% | Fee          | 1980 | 6.1   | 20 |  |
| 35 Engle St.,<br>Hicksville, NY .....                          | 100% | Leasehold(7) | 1966 | 4.0   | 24 |  |
| 100 Andrews Rd.,<br>Hicksville, NY .....                       | 100% | Fee          | 1954 | 11.7  | 25 |  |
|  |      |              |      | ----- |    |  |
| Subtotal other .....   |      |              |      | 62.9  |    |  |
|  |      |              |      | ----- |    |  |
| Total Standalone Long<br>Island Properties .....               |      |              |      | 140.9 |    |  |
|  |      |              |      | ----- |    |  |
| Standalone Westchester<br>Properties                           |      |              |      |       |    |  |
| 100 Grasslands Rd.,<br>Elmsford, NY .....                      | 100% | Fee          | 1964 | 3.6   | 16 |  |
| 2 Macy Rd.,<br>Harrison, NY .....                              | 100% | Fee          | 1962 | 5.7   | 16 |  |
| 500 Saw Mill Rd.,<br>Elmsford, NY .....                        | 100% | Fee          | 1968 | 7.3   | 22 |  |
|  |      |              |      | ----- |    |  |
| Total Standalone<br>Westchester Industrial<br>Properties ..... |      |              |      | 16.6  |    |  |
|  |      |              |      | ----- |    |  |
| Standalone New Jersey<br>Industrial Properties                 |      |              |      |       |    |  |
| 40 Cragwood Rd,<br>South Plainfield, NJ .....                  | 100% | Fee          | 1965 | 13.5  | 16 |  |
| 100 Forge Way,<br>Rockaway, NJ .....                           | 100% | Fee          | 1986 | 3.5   | 24 |  |
| 200 Forge Way,<br>Rockaway, NJ .....                           | 100% | Fee          | 1989 | 12.7  | 28 |  |
| 300 Forge Way,<br>Rockaway, NJ .....                           | 100% | Fee          | 1989 | 4.2   | 24 |  |
| 400 Forge Way,<br>Rockaway, NJ .....                           | 100% | Fee          | 1989 | 12.8  | 28 |  |
|  |      |              |      | ----- |    |  |
| Total New Jersey<br>Standalone Industrial<br>Properties .....  |      |              |      | 46.7  |    |  |
|  |      |              |      | ----- |    |  |

| PROPERTY | PERCENTAGE<br>OFFICE/<br>RESEARCH<br>AND<br>DEVELOP-<br>MENT<br>FINISH | RENTABLE<br>SQUARE<br>FEET | PERCENT<br>LEASED | ANNUAL<br>BASE<br>RENT (2) | ANNUAL<br>BASE<br>RENT<br>PER<br>LEASED<br>SQ. FT. | NUMBER<br>OF<br>TENANTS<br>LEASES |
|----------|--|----------------------------|-------------------|----------------------------|--|-----------------------------------|
|----------|--|----------------------------|-------------------|----------------------------|--|-----------------------------------|

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|  |       |           |        |              |          |    |
|--|-------|-----------|--------|--------------|----------|----|
| 70 Schmitt Boulevard,<br>Farmingdale, NY .....   | 10%   | 76,312    | 100.0% | \$ 559,673   | \$ 7.33  | 1  |
| 105 Price Parkway,<br>Farmingdale, NY .....      | 8.50% | 297,000   | 100.0% | \$ 1,430,170 | \$ 4.82  | 1  |
| 110 Bi County Blvd.<br>Farmingdale, NY .....     | 45%   | 147,303   | 96.3%  | \$ 1,250,320 | \$ 8.82  | 10 |
| Subtotal Farmingdale .....                       |       | 520,615   | 98.9%  | \$ 3,240,163 | \$ 6.29  | 12 |
| 70 Maxess Rd,<br>Melville, NY .....              | 38%   | 78,000    | 100.0% | \$ 692,862   | \$ 8.88  | 1  |
| 20 Melville Park Rd,<br>Melville, NY .....       | 66%   | 67,922    | 100.0% | \$ 393,337   | \$ 5.79  | 1  |
| 45 Melville Park Drive,<br>Melville, NY .....    | 22%   | 40,247    | 100.0% | \$ 562,060   | \$ 13.97 | 1  |
| 65 Marcus Drive<br>Melville, NY .....            | 50%   | 60,000    | 100.0% | \$ 623,162   | \$ 10.39 | 1  |
| Subtotal Melville .....                          |       | 246,169   | 100.0% | \$ 2,271,421 | \$ 9.23  | 4  |
| 300 Motor Parkway,<br>Hauppauge, NY .....        | 100%  | 55,942    | 96.8%  | \$ 907,004   | \$ 16.75 | 9  |
| 1516 Motor Parkway,<br>Hauppauge, NY .....       | 5%    | 140,000   | 100.0% | \$ 503,883   | \$ 3.60  | 1  |
| Subtotal Hauppauge .....                         |       | 195,942   | 99.1%  | \$ 1,410,887 | \$ 7.27  | 10 |
| 933 Motor Parkway<br>Smithtown, NY .....         | 26%   | 48,000    | 100.0% | \$ 315,600   | \$ 6.58  | 2  |
| 65 S. Service Rd ,<br>Plainview, NY(5) .....     | 10%   | 10,000    | 100.0% | \$ 72,008    | \$ 7.20  | 1  |
| 85 S. Service Rd.<br>Plainview, NY .....         | 60%   | 20,000    | 100.0% | \$ 82,155    | \$ 4.11  | 2  |
| 19 Nicholas Dr.,<br>Yaphank, NY (6) .....        | 5%    | 230,000   | 100.0% | \$ 1,315,250 | \$ 5.72  | 1  |
| 48 Harbor Park Dr.,<br>Port Washington, NY       | 100%  | 35,000    | 100.0% | \$ 735,646   | \$ 21.02 | 1  |
| 110 Marcus Dr.,<br>Huntington, NY .....          | 39%   | 78,240    | 100.0% | \$ 506,119   | \$ 6.47  | 1  |
| 35 Engle St.,<br>Hicksville, NY .....            | 8%    | 120,000   | 100.0% | \$ 607,559   | \$ 5.06  | 1  |
| 100 Andrews Rd.,<br>Hicksville, NY .....         | 12%   | 167,500   | 100.0% | \$ 1,146,499 | \$ 6.84  | 2  |
| Subtotal other .....                             |       | 708,740   | 100.0% | \$ 4,780,836 | \$ 6.75  | 11 |
| Total Standalone Long<br>Island Properties ..... |       | 1,883,866 | 99.6%  | \$12,757,678 | \$ 6.98  | 47 |
| Standalone Westchester<br>Properties             |       |           |        |              |          |    |
| 100 Grasslands Rd.,<br>Elmsford, NY .....        | 100%  | 45,000    | 87.8%  | \$ 579,637   | \$ 14.67 | 3  |
| 2 Macy Rd.,<br>Harrison, NY .....                | 100%  | 26,000    | 100.0% | \$ 394,460   | \$ 15.16 | 1  |
| 500 Saw Mill Rd.,<br>Elmsford, NY .....          | 17%   | 92,000    | 100.0% | \$ 846,400   | \$ 9.20  | 1  |
| Total Standalone<br>Westchester Industrial       |       |           |        |              |          |    |

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|   |     |         |        |              |          |    |
|---|-----|---------|--------|--------------|----------|----|
| Properties .....  |     | 163,000 | 96.7%  | \$ 1,820,497 | \$ 11.55 | 5  |
| -----   |     |         |        |              |          |    |
| Standalone New Jersey<br>Industrial Properties                |     |         |        |              |          |    |
| 40 Cragwood Rd,<br>South Plainfield, NJ .....                 | 49% | 135,000 | 57.5%  | \$ 1,188,697 | \$ 15.31 | 3  |
| 100 Forge Way,<br>Rockaway, NJ .....                          | 12% | 20,136  | 100.0% | \$ 175,842   | \$ 8.73  | 5  |
| 200 Forge Way,<br>Rockaway, NJ .....                          | 23% | 72,118  | 100.0% | \$ 459,752   | \$ 6.38  | 2  |
| 300 Forge Way,<br>Rockaway, NJ .....                          | 37% | 24,000  | 100.0% | \$ 230,050   | \$ 9.51  | 2  |
| 400 Forge Way,<br>Rockaway, NJ .....                          | 20% | 73,000  | 100.0% | \$ 254,120   | \$ 3.48  | 2  |
| -----   |     |         |        |              |          |    |
| Total New Jersey<br>Standalone Industrial<br>Properties ..... |     | 324,254 | 82.4%  | \$ 2,308,461 | \$ 8.64  | 14 |
| -----   |     |         |        |              |          |    |

I-14

| PROPERTY   | PERCENTAGE OWNERSHIP                               | OWNERSHIP INTEREST (GROUND LEASE EXPIRATION DATE) | YEAR CONSTRUCTED | LAND AREA (ACRES)    | CLEARANCE HEIGHT (FEET)             |                          |
|--|--|---|------------------|----------------------|-------------------------------------|--------------------------|
| -----  |  |   |                  |                      |                                     |                          |
| Standalone Connecticut<br>Industrial Property                |  |   |                  |                      |                                     |                          |
| 710 Bridgeport<br>Shelton, CT .....                          | 100%   | Fee   | 1971-1979        | 36.1                 | 22                                  |                          |
|  |  |   |                  | -----                |                                     |                          |
| Total Connecticut<br>Standalone Industrial<br>Property ..... |  |   |                  | 36.1                 |                                     |                          |
|  |  |   |                  | -----                |                                     |                          |
| Total Industrial<br>Properties (4) .....                     |  |   |                  | 512.4                |                                     |                          |
|  |  |   |                  | =====                |                                     |                          |
| PROPERTY   | PERCENTAGE OFFICE/ RESEARCH AND DEVELOPMENT FINISH | RENTABLE SQUARE FEET                              | PERCENT LEASED   | ANNUAL BASE RENT (2) | ANNUAL BASE RENT PER LEASED SQ. FT. | NUMBER OF TENANTS LEASES |
| -----  |  |   |                  |                      |                                     |                          |
| Standalone Connecticut<br>Industrial Property                |  |   |                  |                      |                                     |                          |
| 710 Bridgeport<br>Shelton, CT .....                          | 30%  | 452,414   | 100.0%           | \$ 2,876,568         | \$ 6.36                             | 2                        |

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|                       |           |        |               |         |     |
|-----------------------|-----------|--------|---------------|---------|-----|
|                       | -----     |        | -----         |         | -   |
| Total Connecticut     |           |        |               |         |     |
| Standalone Industrial |           |        |               |         |     |
| Property .....        | 452,414   | 100.0% | \$ 2,876,568  | \$ 6.36 | 2   |
|                       | -----     |        | -----         |         | -   |
| Total Industrial      |           |        |               |         |     |
| Properties (4) .....  | 6,834,113 | 97.5%  | \$ 42,938,423 | \$ 6.50 | 241 |
|                       | =====     |        | =====         |         | === |

-----

(1) Calculated as the difference from the lowest beam to floor.

(2) Represents Base Rent of signed leases at December 31, 2000 adjusted for scheduled contractual increases during the 12 months ending December 31, 2001. Total Base Rent for these purposes reflects the effect of any lease expirations that occur during the 12 month period ending December 31, 2001. 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 excludes properties under redevelopment.

(5) A tenant has been granted an option exercisable after April 30, 1997 and prior to October 31, 2002 to purchase this property for \$600,000.

(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, 2000, 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, 2000, the Company had invested approximately \$154.7 million in developments in progress. This amount includes approximately \$89.0 million relating to existing buildings encompassing approximately 1.3 million square feet. The Company estimates that if these projects were to be completed, total additional development costs would be approximately \$28 million. In addition, the Company has also invested approximately \$ 65.7 million relating to approximately 13 acres of land which it can develop approximately 1.6 million square feet. The Company estimates that if these projects were to be completed, total additional development costs would be approximately \$250 million.

### THE OPTION PROPERTIES

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.

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As of December 31, 2000, 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.

I-15

### 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 1996 through 2000 for the Office Properties and the 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.

|  | 1996       | 1997         | 1998         | 1999         |
|--|------------|--------------|--------------|--------------|
|  |            |              |              |              |
| <b>NON-INCREMENTAL REVENUE GENERATING CAPITAL EXPENDITURES</b>                             |            |              |              |              |
| Office Properties  |            |              |              |              |
| Total .....  | \$ 375,026 | \$ 1,108,675 | \$ 2,004,976 | \$ 2,290,000 |
| Per square foot .....  | \$ 0.13    | \$ 0.22      | \$ 0.23      | \$ 0.24      |
| CBD Office Properties  |            |              |              |              |
| Total .....  | N/A        | N/A          | N/A          | N/A          |
| Per square foot .....  | N/A        | N/A          | N/A          | N/A          |
| Industrial Properties  |            |              |              |              |
| Total .....  | \$ 670,751 | \$ 733,233   | \$ 1,205,266 | \$ 1,040,000 |
| Per square foot .....  | \$ 0.18    | \$ 0.15      | \$ 0.12      | \$ 0.11      |
| <b>NON-INCREMENTAL REVENUE GENERATING TENANT IMPROVEMENT COSTS AND LEASING COMMISSIONS</b> |            |              |              |              |
| Long Island Office Properties  |            |              |              |              |
| Annual Tenant Improvement Costs .....  | \$ 523,574 | \$ 784,044   | \$ 1,140,251 | \$ 1,000,000 |
| Per square foot improved .....   | 4.28       | 7.00         | 3.98         | 3.50         |
| Annual Leasing Commissions .....   | 119,047    | 415,822      | 418,191      | 550,000      |
| Per square foot leased .....   | 0.97       | 4.83         | 1.46         | 1.50         |
| Total per square foot .....  | \$ 5.25    | \$ 11.83     | \$ 5.44      | \$ 5.00      |
| Westchester Office Properties  |            |              |              |              |
| Annual Tenant Improvement Costs .....  | \$ 834,764 | \$ 1,211,665 | \$ 711,160   | \$ 1,310,000 |
| Per square foot improved .....   | 6.33       | 8.90         | 4.45         | 5.50         |
| Annual Leasing Commissions .....   | 264,388    | 366,257      | 286,150      | 450,000      |
| Per square foot leased .....   | 2.00       | 2.69         | 1.79         | 2.00         |
| Total per square foot .....  | \$ 8.33    | \$ 11.59     | \$ 6.24      | \$ 7.50      |
| Connecticut Office Properties  |            |              |              |              |
| Annual Tenant Improvement Costs .....  | \$ 58,000  | \$ 1,022,421 | \$ 202,880   | \$ 170,000   |

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|                                       |          |          |            |       |
|---------------------------------------|----------|----------|------------|-------|
| Per square foot improved .....        | 12.45    | 13.39    | 5.92       |       |
| Annual Leasing Commissions .....      | 0        | 256,615  | 151,063    | 11    |
| Per square foot leased .....          | 0        | 3.36     | 4.41       |       |
| Total per square foot .....           | \$ 12.45 | \$ 16.75 | \$ 10.33   | \$    |
| New Jersey Office Properties          |          |          |            |       |
| Annual Tenant Improvement Costs ..... | N/A      | N/A      | \$ 654,877 | \$ 45 |
| Per square foot improved .....        | N/A      | N/A      | 3.78       |       |
| Annual Leasing Commissions .....      | N/A      | N/A      | 396,127    | 78    |
| Per square foot leased .....          | N/A      | N/A      | 2.08       |       |
| Total per square foot .....           | N/A      | N/A      | \$ 5.86    | \$    |
| New York Office Properties            |          |          |            |       |
| Annual Tenant Improvement Costs ..... | N/A      | N/A      | N/A        | N/    |
| Per square foot improved .....        | N/A      | N/A      | N/A        | N/    |
| Annual Leasing Commissions .....      | N/A      | N/A      | N/A        | N/    |
| Per square foot leased .....          | N/A      | N/A      | N/A        | N/    |
| Total per square foot .....           | N/A      | N/A      | N/A        | N/    |

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|                                       | 1996       | 1997       | 1998       |       |
|---------------------------------------|------------|------------|------------|-------|
|                                       | -----      | -----      | -----      | ----- |
| Industrial Properties                 |            |            |            |       |
| Annual Tenant Improvement Costs ..... | \$ 380,334 | \$ 230,466 | \$ 283,842 | \$    |
| Per square foot improved .....        | 0.72       | 0.55       | 0.76       |       |
| Annual Leasing Commissions .....      | 436,213    | 81,013     | 200,154    |       |
| Per square foot leased .....          | 0.82       | 0.19       | 0.44       |       |
| Total per square foot .....           | \$ 1.54    | \$ 0.74    | \$ 1.20    | \$    |

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MORTGAGE INDEBTEDNESS

The following table sets forth certain information regarding the mortgage debt of the Company, as of December 31, 2000.

| PROPERTY                                       | PRINCIPAL AMOUNT<br>OUTSTANDING | INTEREST RATE | MATURITY DATE |
|--|---------------------------------|---------------|---------------|
| -----  | -----                           | -----         | -----         |
|  | (IN THOUSANDS)                  |               |               |
| 6800 Jericho Turnpike .....                    | \$ 14,324                       | 8.07%         | 7/1/10        |
| 6900 Jericho Turnpike .....                    | 7,560                           | 8.07%         | 7/1/10        |
| 200 Broadhollow Road .....                     | 6,494                           | 7.75%         | 6/02/02       |
| 395 North Service Road .....                   | 20,525                          | 6.45%         | 10/26/05      |
| 50 Charles Lindbergh Blvd. ....                | 15,479                          | 7.50%         | 7/10/01       |
| 333 Earl Ovington Blvd<br>(The Omni) (1) ..... | 55,641                          | 7.72%         | 8/14/07       |
| 310 East Shore Road .....                      | 2,322                           | 8.00%         | 7/01/02       |
| 80 Orville Drive .....                         | 2,616                           | 10.10%        | 2/01/04       |
| 580 White Plains Road .....                    | 13,057                          | 7.86%         | 9/1/10        |
| Landmark Square .....                          | 46,974                          | 8.02%         | 10/07/06      |
| 110 Bi-County Blvd. ....                       | 4,043                           | 9.125%        | 11/30/12      |
| 100 Summit Lake Drive .....                    | 21,541                          | 8.50%         | 4/01/07       |
| 200 Summit Lake Drive .....                    | 20,133                          | 9.25%         | 1/01/06       |



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|                                   |            |               |          |
|-----------------------------------|------------|---------------|----------|
| 120 West 45th Street .....        | 66,103     | 6.82% (4)     | 11/01/27 |
| 810 7th Avenue .....              | 85,600     | 7.73%         | 8/1/09   |
| 100 Wall Street .....             | 37,094     | 7.73%         | 8/1/09   |
| One Orlando Center .....          | 39,465     | 6.82% (4)     | 11/01/27 |
| 1350 Avenue of the Americas ..... | 70,000     | LIBOR + 1.65% | 8/1/01   |
| 919 3rd Avenue .....              | 200,000    | LIBOR + 1.20% | 10/31/03 |
|                                   | -----      |               |          |
| Total .....                       | \$ 728,971 |               |          |
|                                   | =====      |               |          |

-----

- (1) The Company has a 60% general partnership interest in the Omni and its proportionate share of the aggregate principal amount of the mortgage debt is approximately \$33.4 million.
- (2) Principal payments of \$34,000 per month.
- (3) Interest only
- (4) Subject to interest rate adjustment on November 1, 2004.

### ITEM 3. LEGAL PROCEEDINGS

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.

### 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, 2000.

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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 sale 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, 1999 .....     | \$ 24.000 | \$ 20.375 | \$ .33750     |
| June 30, 1999 .....      | \$ 26.563 | \$ 20.438 | \$ .37125 (1) |
| September 30, 1999 ..... | \$ 23.500 | \$ 19.375 | \$ .37125     |
| December 31, 1999 .....  | \$ 20.813 | \$ 18.000 | \$ .37125     |

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|                          |           |           |           |     |
|--------------------------|-----------|-----------|-----------|-----|
| March 31, 2000 .....     | \$ 21.313 | \$ 17.688 | \$ .37125 |     |
| June 30, 2000 .....      | \$ 24.063 | \$ 18.750 | \$ .3860  | (2) |
| September 30, 2000 ..... | \$ 26.813 | \$ 23.625 | \$ .3860  |     |
| December 31, 2000 .....  | \$ 26.000 | \$ 21.875 | \$ .3860  |     |

(1) Commencing with the distribution for the quarter ending June 30, 1999, the Board of Directors of the Company increased the quarterly distribution to \$.37125 per share, which is equivalent to an annual distribution of \$1.485 per share.

(2) 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.

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 sale 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, 1999 .....     | N/A       | N/A       | N/A          |     |
| June 30, 1999 .....      | \$ 27.688 | \$ 23.875 | \$ .2364     | (1) |
| September 30, 1999 ..... | \$ 24.688 | \$ 20.500 | \$ .5600     |     |
| December 31, 1999 .....  | \$ 22.750 | \$ 19.438 | \$ .5600     |     |
| March 31, 2000 .....     | \$ 22.875 | \$ 18.875 | \$ .5600     |     |
| June 30, 2000 .....      | \$ 25.438 | \$ 19.938 | \$ .5867     | (2) |
| September 30, 2000 ..... | \$ 27.563 | \$ 24.625 | \$ .6000     |     |
| December 31, 2000 .....  | \$ 27.563 | \$ 22.500 | \$ .6000     |     |

(1) Represents the period May 25, 1999 through June 30, 1999

(2) 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.

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

RECKSON ASSOCIATES REALTY  
CORP.  
FOR THE YEAR ENDED DECEMBER  
31,

-----  
2000                      1999

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|   |              |              |
|---|--------------|--------------|
| OPERATING DATA:   |              |              |
| Total revenues .....  | \$ 509,938   | \$ 403,153   |
| Total expenses .....  | 373,711      | 299,111      |
| Income (before preferred dividends and distributions,<br>minority interests and extraordinary loss) ..... | 136,227      | 104,042      |
| Preferred dividends and distributions .....   | 28,012       | 27,001       |
| Minority interests .....  | 20,789       | 16,209       |
| Extraordinary loss (net of minority interests' share) .....   | 1,396        | 555          |
| Net income available to Class A common<br>shareholders .....  | 62,989       | 47,529       |
| Net income available to Class B common<br>shareholders .....  | 23,041       | 12,748       |
| PER SHARE DATA - CLASS A COMMON   |              |              |
| SHAREHOLDERS:   |              |              |
| Basic:  |              |              |
| Income before extraordinary loss .....  | \$ 1.49      | \$ 1.19      |
| Extraordinary loss .....  | ( .03)       | ( .01)       |
| Net income .....  | 1.46         | 1.18         |
| Weighted average shares outstanding .....   | 43,070       | 40,270       |
| Diluted:  |              |              |
| Income before extraordinary loss .....  | \$ 1.47      | \$ 1.18      |
| Extraordinary loss .....  | ( .02)       | ( .01)       |
| Diluted net income .....  | 1.45         | 1.17         |
| Diluted weighted average shares outstanding .....   | 43,545       | 40,676       |
| PER SHARE DATA - CLASS B COMMON   |              |              |
| SHAREHOLDERS:   |              |              |
| Basic:  |              |              |
| Income before extraordinary loss .....  | \$ 2.28      | \$ 1.91      |
| Extraordinary loss .....  | ( .04)       | ( .02)       |
| Net Income .....  | 2.24         | 1.89         |
| Weighted average shares outstanding .....   | 10,284       | 6,744        |
| Diluted:  |              |              |
| Income before extraordinary loss .....  | \$ 1.62      | \$ 1.27      |
| Extraordinary loss .....  | ( .03)       | ( .01)       |
| Diluted net income .....  | 1.59         | 1.26         |
| Diluted weighted average shares outstanding .....   | 10,284       | 6,744        |
| BALANCE SHEET DATA (PERIOD END):  |              |              |
| Commercial real estate properties, before accumulated<br>depreciation .....                               | \$ 2,770,607 | \$ 2,208,399 |
| Total assets .....  | 2,998,030    | 2,733,878    |
| Mortgage notes payable .....  | 728,971      | 459,174      |
| Unsecured credit facility .....   | 216,600      | 297,600      |
| Unsecured term loan .....   | --           | 75,000       |
| Senior unsecured notes .....  | 449,385      | 449,313      |
| Market value of equity (1) .....  | 2,016,390    | 1,726,845    |
| Total market capitalization including debt (1 and 2) .....  | 3,397,204    | 2,993,756    |
| OTHER DATA:   |              |              |
| Funds from operations (basic) (3) .....   | \$ 167,782   | \$ 130,820   |
| Funds from operations (diluted) (3) .....   | \$ 202,169   | \$ 161,681   |
| Total square feet (at end of period) .....  | 21,291       | 21,385       |
| Number of properties (at end of period) .....   | 188          | 189          |

RECKSON ASSOCIATES REALTY  
FOR THE YEAR ENDED DECEMBER

1998

1997

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|   |              |              |
|---|--------------|--------------|
| OPERATING DATA:   |              |              |
| Total revenues .....  | \$ 266,373   | \$ 153,395   |
| Total expenses .....  | 201,892      | 107,905      |
| Income (before preferred dividends and distributions,<br>minority interests and extraordinary loss) ..... | 64,481       | 45,490       |
| Preferred dividends and distributions .....   | 14,244       | --           |
| Minority interests .....  | 10,672       | 8,624        |
| Extraordinary loss (net of minority interests' share) .....   | 1,670        | 2,230        |
| Net income available to Class A common<br>shareholders .....  | 37,895       | 34,636       |
| Net income available to Class B common<br>shareholders .....  | --           | --           |
| PER SHARE DATA - CLASS A COMMON   |              |              |
| SHAREHOLDERS:   |              |              |
| Basic:  |              |              |
| Income before extraordinary loss .....  | \$ 1.00      | \$ 1.13      |
| Extraordinary loss .....  | ( .04)       | ( .07)       |
| Net income .....  | 0.96         | 1.06         |
| Weighted average shares outstanding .....   | 39,473       | 32,727       |
| Diluted:  |              |              |
| Income before extraordinary loss .....  | \$ .99       | \$ 1.11      |
| Extraordinary loss .....  | ( .04)       | ( .07)       |
| Diluted net income .....  | .95          | 1.04         |
| Diluted weighted average shares outstanding .....   | 40,010       | 33,260       |
| PER SHARE DATA - CLASS B COMMON   |              |              |
| SHAREHOLDERS:   |              |              |
| Basic:  |              |              |
| Income before extraordinary loss .....  | \$ --        | \$ --        |
| Extraordinary loss .....  | --           | --           |
| Net Income .....  | --           | --           |
| Weighted average shares outstanding .....   | --           | --           |
| Diluted:  |              |              |
| Income before extraordinary loss .....  | \$ --        | \$ --        |
| Extraordinary loss .....  | --           | --           |
| Diluted net income .....  | --           | --           |
| Diluted weighted average shares outstanding .....   | --           | --           |
| BALANCE SHEET DATA (PERIOD END):  |              |              |
| Commercial real estate properties, before accumulated<br>depreciation .....                               | \$ 1,737,133 | \$ 1,011,228 |
| Total assets .....  | 1,854,816    | 1,113,257    |
| Mortgage notes payable .....  | 253,463      | 180,023      |
| Unsecured credit facility .....   | 465,850      | 210,250      |
| Unsecured term loan .....   | 20,000       | --           |
| Senior unsecured notes .....  | 150,000      | 150,000      |
| Market value of equity (1) .....  | 1,332,882    | 1,141,592    |
| Total market capitalization including debt (1 and 2) .....  | 2,199,936    | 1,668,800    |
| OTHER DATA:   |              |              |
| Funds from operations (basic) (3) .....   | \$ 97,697    | \$ 69,548    |
| Funds from operations (diluted) (3) .....   | \$ 99,450    | \$ 69,548    |
| Total square feet (at end of period) .....  | 21,000       | 13,645       |
| Number of properties (at end of period) .....   | 204          | 155          |

(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 53,046,928, 48,076,648, 47,800,049, 44,988,846 and 31,119,364 at December 31, 2000, 1999, 1998, 1997 and 1996, respectively (based on a per share/unit price of \$25.06, \$20.50, \$22.19, \$25.38 and \$21.13 at December 31, 2000, 1999, 1998, 1997 and 1996, respectively),

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- (ii) the market value of the Company's Class B common stock of 10,283,513 and 10,283,763 shares at December 31, 2000 and 1999, respectively (based on a per share price of \$27.19 and \$22.75 at December 31, 2000 and 1999, respectively),
- (iii) the liquidation preference value of 11,192,000 and 15,192,000 shares of the Company's preferred stock at December 31, 2000 and 1999, respectively (based on a per share value of \$25.00),
- (iv) the liquidation preference value of 42,518 of the operating partnership's preferred units at December 31, 2000 and 1999 (based on a per unit value of \$1,000) and
- (v) the contributed value of Metropolitan's preferred interest of \$85 million.

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

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

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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.

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 certain 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. Certain factors that might cause the results of the Company to differ materially from those indicated by such forward-looking statements include, among other factors, general economic conditions, general real estate industry risks, tenant default and bankruptcies, loss of major tenants, the impact of competition and acquisition, redevelopment and development risks including delays in completion and cost overruns, the ability to finance business opportunities, increases in interest rates and local real estate risks such as an oversupply of space or a reduction in demand for real estate in the Company's real estate markets. 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 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"),

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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") 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 its interests in its real properties, directly or indirectly, through Reckson Operating Partnership, L.P. (the "Operating Partnership"). As of December 31, 2000, 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. In addition, the Company is in the process of developing one office property encompassing approximately 315,000 square feet. 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 \$6.4 million in mortgage notes encumbering approximately 101 acres of land, approximately \$17.1 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, New York and \$36.5 million under three notes which are secured by a minority partner's preferred interest in the Operating Partnership.

On August 9, 1999, the Company executed a contract for the sale, which took place in three stages, of its interest in Reckson Morris Operating Partnership, L. P. ("RMI"), which consisted of 28 properties, comprising approximately 6.1 million square feet and three other big box industrial properties to

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Keystone Property Trust ("KTR"). In addition, the Company also entered into a sale agreement with the Matrix Development Group ("Matrix") relating to a first mortgage note and certain industrial land holdings (the "Matrix Sale"). The combined total sales price of \$310 million (\$52 million of which is attributable to the Morris Companies and its affiliates in the form of \$41.6 million of preferred units of KTR's operating partnership and \$10.4 million of debt relief) consisted of (i) approximately \$159.7 million in cash, (ii) \$41.5 million in convertible preferred and common stock of KTR, (iii) \$61.6 million in preferred units of KTR's operating partnership, (iv) approximately \$37.1 million of debt relief and (v) approximately \$10.1 million in purchase money mortgage notes secured by certain land that is being sold to Matrix.

As of December 31, 2000, the Matrix Sale and the sale of the Company's interest in RMI was completed. As a result, the Company realized a gain of approximately \$16.7 million. Such gain has been included in gain on dispositions of real estate on the Company's consolidated statements of income. Cash proceeds from the sales were used primarily to repay borrowings under the Company's unsecured credit facility. In addition, as of December 31, 2000, the Company redeemed approximately \$20 million of the preferred stock of KTR and received principal repayments of approximately \$7.2 million related to the purchase money mortgage notes, all of which was used primarily for general operating expenditures.

In July 1998, the Company formed a joint venture, Metropolitan Partners LLC ("Metropolitan"), with Crescent Real Estate Equities Company, a Texas REIT

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("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.

The Company controls Metropolitan and owns 100% of the common equity; Crescent owns a \$85 million preferred equity investment in Metropolitan. Crescent's investment accrues distributions at a rate of 7.5% per annum for a two-year period (May 24, 1999 through May 24, 2001) and may be redeemed by Metropolitan at any time during that period for \$85 million, plus an amount sufficient to provide a 9.5% internal rate of return. If Metropolitan does not redeem the preferred interest, upon the expiration of the two-year period, Crescent must convert its \$85 million preferred interest into either (i) a common membership interest in Metropolitan or (ii) shares of the Company's Class A common stock at a conversion price of \$24.61 per share.

Prior to the closing of the merger, the Company arranged for the sale of four of Tower's Class B New York City properties, comprising approximately 701,000 square feet for approximately \$84.5 million. Subsequent to the closing of the merger, the Company has sold a real estate joint venture interest and all of the property located outside the Tri-State Area other than one office property located in Orlando, Florida for approximately \$171.1 million. The combined consideration consisted of approximately \$143.8 million in cash and approximately \$27.3 million of debt relief. Net cash proceeds from the sales were used primarily to repay borrowings under the Company's unsecured credit facility. As a result of incurring certain sales and closing costs in connection with the sale of the assets located outside the Tri-State Area, the Company has incurred a loss of approximately \$4.4 million which has been included in gain (loss) on dispositions of real estate on the Company's consolidated statements of income.

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 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. As a result, the Company realized a gain of approximately \$15.2 million. Such gain has been included in gain on dispositions of real estate on the Company's consolidated statements of income. Cash proceeds received were used primarily to repay borrowings under the Company's unsecured credit facility.

The Company has announced that it has withdrawn its offer to purchase a tract of land located in Suffolk County, New York from the State of New York. As a result, as of December 31, 2000, the Company incurred a one-time non-recurring charge of \$3.2 million in connection with the discontinuation

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of this development project. Such amount has been included in gain (loss) on dispositions of real estate on the Company's consolidated statements of income. Further, this write off will not impact the Company's computation of Funds from Operations.

During 1997, the Company formed FrontLine Capital Group ("FrontLine") (formerly Reckson Service Industries, Inc.) and Reckson Strategic Venture Partners, LLC ("RSVP"). In connection with the formation of FrontLine, the Operating Partnership established a credit facility with FrontLine (the "FrontLine Facility") in the amount of \$100 million for FrontLine to use in its

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investment activities, operations and other general corporate purposes. As of December 31, 2000, the Company had advanced approximately \$93.4 million under the FrontLine Facility. In addition, the Operating Partnership approved the funding of investments of up to \$100 million with or in RSVP (the "RSVP Commitment"), through RSVP-controlled joint ventures (for REIT-qualified investments) or advances made to FrontLine under terms similar to the FrontLine Facility. As of December 31, 2000, approximately \$83.2 million had been funded through the RSVP Commitment, of which \$41.1 million represents investments in RSVP-controlled (REIT-qualified) joint ventures and \$42.1 million represents advances. In March 2001, the Company increased the RSVP Commitment to \$110 million and advanced approximately \$24 million under the RSVP Commitment to fund additional RSVP-controlled (REIT-qualified) joint ventures. In addition, as of December 31, 2000, the Company, through its unsecured credit facility, has allocated approximately \$3.2 million in outstanding undrawn letters of credit for the benefit of FrontLine. Both the FrontLine Facility and the RSVP Commitment have a term of five years 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. Prior to maturity, interest is payable quarterly but only to the extent of net cash flow of FrontLine and on an interest-only basis. As of December 31, 2000, interest accrued under the FrontLine Facility and RSVP Commitment was approximately \$13.8 million.

During November 1999, the Board of Directors of the Company approved an amendment to the FrontLine Facility and the RSVP Commitment to permit FrontLine to incur secured debt and to pay interest thereon and to issue preferred stock and to pay dividends thereon. In consideration of the amendments, FrontLine paid the Operating Partnership a fee of approximately \$3.6 million in the form of shares of FrontLine common stock. Such fee has been recognized in income over an estimated nine month benefit period.

FrontLine currently has two distinct operating units: one of which represents its interest in HQ Global Holdings, Inc., the largest provider of flexible officing solutions in the world, and the other which represents interests in technology based partner companies. RSVP invests primarily in real estate and real estate related operating companies generally outside of the Company's core office and industrial focus.

The Operating Partnership and FrontLine have entered into an intercompany agreement (the "Reckson Intercompany Agreement") to formalize their relationship and to limit conflict of interest. Under the Reckson Intercompany Agreement, Frontline granted the Operating Partnership a right of first opportunity to make any REIT - qualified investment that becomes available to FrontLine. In addition, if a REIT -- qualified investment opportunity becomes available to an affiliate of FrontLine, including RSVP, the Reckson Intercompany Agreement requires such affiliate to allow the Operating Partnership to participate in such opportunity to the extent of FrontLine's interest.

Under the Reckson Intercompany Agreement, the Operating Partnership granted FrontLine a right of first opportunity to provide commercial services to the Operating Partnership and its tenants. FrontLine will provide services to the Operating Partnership at rates and on terms as attractive as either the best available for comparable services in the market or those offered by FrontLine to third parties. In addition, the Operating Partnership will give FrontLine access to its tenants with respect to commercial services that may be provided to such tenants and, under the Reckson Intercompany Agreement, subject to certain conditions, the Operating Partnership granted FrontLine a right of first refusal to become the lessee of any real property acquired by the Operating Partnership if the Operating Partnership determines that, consistent



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with the Company's status as a REIT, it is required to enter into a "master" lease agreement.

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On August 27, 1998 the Company announced the formation of a joint venture with RSVP and the Dominion Group, an Oklahoma-based, privately-owned group of companies that focuses on the development, acquisition and ownership of government occupied office buildings and correctional facilities. The new venture, Dominion Properties LLC (the "Dominion Venture"), is owned by Dominion Venture Group LLC, and by a subsidiary of the Company. The Dominion Venture is primarily engaged in acquiring, developing and/or owning government-occupied office buildings and privately operated correctional facilities. Under the Dominion Venture's operating agreement, RSVP may invest up to \$100 million, some of which may be invested by the Company (the "RSVP Capital"). The initial contribution of RSVP Capital was approximately \$39 million of which approximately \$10.1 million was invested by a subsidiary of the Company. The Company's investment was funded through the RSVP Commitment. In addition, the Company advanced approximately \$3.3 million to FrontLine through the RSVP Commitment for an investment in RSVP which was then invested on a joint venture basis with the Dominion Group in certain service business activities related to the real estate activities. As of December 31, 2000, the Company had invested, through the RSVP Commitment, approximately \$20.6 million in the Dominion Venture which had investments in 13 government office buildings and three correctional facilities.

As of December 31, 2000, the Company has invested approximately \$11.1 million, through a subsidiary, in RAP Student Housing Properties, LLC ("RAP -- SHP"), a company that engages primarily in the acquisition and development of off-campus student housing projects. The Company's investment was funded through the RSVP Commitment. In addition, the Company has advanced approximately \$3.5 million to FrontLine through the RSVP Commitment for an investment in RSVP which was then invested in certain service business activities related to student housing. As of December 31, 2000, RAP -- SHP had investments in seven off -- campus student housing projects. Additionally, during 2000, RAP-SHP entered into an off -- campus development joint venture with Titan Investments II, a third party national developer. The purpose of the venture is to develop or reposition off - campus student housing projects across the United States.

As of December 31, 2000, the Company has invested approximately \$3.4 million, through a subsidiary, in RAP MD, LLC ("RAP -- MD"), a company that engages primarily in the acquisition, ownership, management and development of medical office properties. The Company's investment was funded through the RSVP Commitment. As of December 31, 2000, RAP -- MD had investments in eight medical office properties.

The market capitalization of the Company at December 31, 2000 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 \$25.06 per share/unit (based on the closing price of the Company's Class A common stock on December 31, 2000), (ii) the market value of the Company's Class B common stock of \$27.19 per share (based on the closing price of the Company's Class B common stock on December 31, 2000), (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, (v) the contributed value of Metropolitan's preferred interest of \$85 million and (vi) approximately \$1.4 billion (including its share of joint venture debt and net of minority partners' interests) of debt outstanding at December 31, 2000. As a

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result, the Company's total debt to total market capitalization ratio at December 31, 2000 equaled approximately 40.6%.

### RESULTS OF OPERATIONS

The Company's total revenues increased by \$106.8 million or 26.5% from 1999 to 2000 and \$136.8 million or 51.4% from 1998 to 1999. Property operating revenues, which include base rents and tenant escalations and reimbursements ("Property Operating Revenues") increased by \$82.9 million or 22.5% from 1999 to 2000 and \$116.7 million or 46.2% from 1998 to 1999. The 2000 increase in Property Operating Revenues is substantially attributable to the assets from the Tower Portfolio acquisition on May 24, 1999. This accounts for approximately \$31.9 million, or 38.5%, of the increase in Property Operating Revenues. Additionally, approximately \$21.0 million of Property Operating Revenues was generated from two

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properties acquired in 2000. Property Operating Revenues were also positively impacted by approximately \$15.3 million from increases in occupancies and rental rates in our "same store" properties, approximately \$9.6 million from newly developed properties added to the operating portfolio and approximately \$2.3 million from 919 Third Avenue, which property operating results were included in Property Operating Revenues. These increases offset the impact of approximately \$14.8 million of Property Operating Revenues that were generated in 1999 from properties that were sold in the 1999 "Big Box" industrial transaction. 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 income related to interest earned on advances made to FrontLine through the FrontLine Facility and to RSVP through the RSVP Commitment.

The 1999 increase in Property Operating Revenues is substantially attributable to the Tower Portfolio acquisition on May 24, 1999. The revenue generated from these assets generated approximately \$47.5 million of revenue in 1999. Additionally, approximately \$29.1 million of revenue was generated from the Company's June 15, 1999 acquisition of the first mortgage note secured by 919 Third Avenue which property operating results were included in Property Operating Revenues. Property Operating Revenues were also positively effected by approximately \$9.9 million from increases in occupancies and rental rates in our "same store" properties and approximately \$27.2 million in additional revenue generated from properties acquired during 1998 and new development activity. The remaining balance of the increase in total revenues in 1999 is primarily attributable to the gain on dispositions of real estate of \$10.1 million and an increase of approximately \$8.7 million in other income related to interest earned on advances made to FrontLine through the FrontLine Facility and to RSVP through the RSVP Commitment.

The Company's base rent reflects the positive impact of the straight-line rent adjustment of \$38.8 million in 2000, \$10.7 million in 1999 and \$7.7 million in 1998. The 2000 straight-line rent adjustment includes \$23.3 million at 919 3rd Avenue 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 \$31.5 million or 25.0% from 1999 to 2000 and by \$41.7 million or 49.5% from 1998 to 1999. These increases are primarily due to the acquisition of the properties included in the Tower Portfolio acquisition on May 24, 1999 and the June 15, 1999 acquisition of the first mortgage note secured by 919 Third Avenue which property operating results were included in Property Expenses. Gross operating margins (defined as Property Operating

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Revenues less Property Expenses, taken as a percentage of Property Operating Revenues) for 2000, 1999, and 1998 were 65.2%, 65.9% and 66.6%, respectively. The slight decrease 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 two office properties acquired in 2000, the office properties acquired in the Tower Portfolio acquisition and the disposition of net leased industrial properties in the "Big Box" industrial transaction. 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 \$27.4 million in 2000, \$24.3 million in 1999 and \$16.9 million in 1998. The increase in marketing, general and administrative expenses is due to the increased costs of opening and maintaining the Company's New York City division and the increase in corporate management 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 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 the marketing programs in the other divisions and strengthening the resources and operating systems in these divisions. The cost of these efforts are reflected in both marketing, general and administrative expenses as well as the revenue growth of the Company. Marketing, general and administrative expense as a percentage of total revenues were 5.4% in 2000, 6.0% in 1999 and 6.3% in 1998.

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Interest expense was \$96.3 million in 2000, \$74.3 million in 1999 and \$47.8 million in 1998. The increase of \$22.0 million from 1999 to 2000 is attributable to (i) a full year of interest on the mortgage debt relating to the Tower Portfolio acquisition (ii) interest on a \$70 million mortgage note for the 1350 Avenue of the Americas acquisition which occurred on January 13, 2000 and (iii) a full year of interest on the \$300 million of senior unsecured notes issued in March 1999. The increase of \$26.5 million from 1998 to 1999 is attributable to (i) an increase in mortgage debt including approximately \$232 million relating to the Tower Portfolio acquisition (ii) the issuance of \$300 million of senior unsecured notes in March 1999 and (iii) an increased average balance on the Company's unsecured credit facilities and unsecured term loan. The weighted average balance outstanding on the Company's unsecured credit facilities and unsecured term loan was \$416.5 million for 2000, \$423.8 million for 1999 and \$377.9 million for 1998.

Included in depreciation and amortization expense is amortized financing costs of \$4.1 million in 2000, \$3.4 million in 1999 and \$1.6 million in 1998. The increase of approximately \$700,000 from 1999 to 2000 is primarily attributable to the secured financings of 919 Third Avenue and 1350 Avenue of the Americas. The increase of \$1.8 million from 1998 to 1999 is primarily attributable to the increased loan costs incurred in connection with the Company increasing its unsecured term loan in January 1999 to \$75 million, the issuance of \$300 million of senior unsecured notes in March 1999 and the Company's \$130 million unsecured bridge facility obtained in connection with the Tower Portfolio acquisition in May 1999.

Extraordinary losses, net of minority interest resulted in a \$1.4 million

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loss in 2000, a \$555,000 loss in 1999 and a \$1.7 million loss in 1998. The extraordinary losses were all attributed to the write-offs of certain deferred loan costs incurred in connection with the Company's restructuring of its unsecured credit facilities and term loans.

### LIQUIDITY AND CAPITAL RESOURCES

#### Summary of Cash Flows

Net cash provided by operating activities totaled \$169.5 million in 2000, \$153.9 million in 1999 and \$120.1 million in 1998. Increases for each year were primarily attributable to the growth in cash flow provided by the acquisition of properties, 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 \$281.6 million in 2000, \$392.2 million in 1999 and \$615.2 million in 1998. Cash used in investing activities related primarily to investments in real estate properties including development costs. The 1999 cash flows were also impacted by the acquisition of the first mortgage note securing 919 Third Avenue and by proceeds from the sales of real estate. In addition, during 1998, the Company purchased \$40 million of preferred stock of Tower Realty Trust, Inc. in connection with the Tower Portfolio acquisition.

Net cash provided by financing activities totaled \$108.5 million in 2000, \$257.4 million in 1999 and \$475.6 million in 1998. Cash provided by financing activities in 2000 was primarily attributable to secured debt financings, the redemption of preferred stock of KTR, minority partner contributions, and advances under the Company's unsecured credit facilities and term loan. Cash provided by financing activities in 1999 and 1998 was primarily attributable to proceeds from the issuances of common and preferred stock, senior unsecured notes, secured borrowings, minority partner contributions and advances under the Company's unsecured credit facilities and term loan.

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 Convertible Cumulative Preferred Stock with a liquidation preference value of \$100 million.

#### Investing Activities

On January 13, 2000, the Company acquired 1350 Avenue of the Americas, a 540,000 square foot, 35 story, Class A office property, located in New York City, for a purchase price of approximately \$126.5 million. This acquisition was financed through a \$70 million secured debt financing and a draw under the Company's unsecured credit facility.

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On August 15, 2000, the Company acquired 538 Broadhollow Road, a 180,000 square foot Class A office property located in Melville, New York for a purchase price of approximately \$25.6 million. This acquisition was financed, in part, through a borrowing under the Company's unsecured credit facility.

In June 1998, the Company established the FrontLine Facility in the amount of \$100 million for FrontLine's investment activities, operations and for other general corporate purposes. As of December 31, 2000, approximately \$93.4 million had been advanced to FrontLine under this facility. In addition, the Company approved the commitment to fund investments of up to \$100 million with or in RSVP. As of December 31, 2000, the Company has funded approximately \$83.2 million under this commitment, of which \$41.1 million represents investments in RSVP -- controlled (REIT - qualified) joint ventures and \$42.1 million

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represents advances. In March 2001, the Company increased the RSVP Commitment to \$110 million and advanced approximately \$24 million under the RSVP Commitment to fund additional RSVP-controlled (REIT-qualified) joint ventures.

### Financing Activities

During 2000, the Company paid cash dividends on its Class A common stock of approximately \$1.51 per share and approximately \$2.32 per share on its Class B common stock.

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 and 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 December 31, 2000, the Company purchased and retired 1,410,804 shares of Class B common stock for approximately \$30.3 million.

As of December 31, 2000, 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 Credit Facility replaced the Company's existing \$500 million unsecured credit facility (together with the Credit Facility, the "Credit Facility") and \$75 million term loan. As a result, certain deferred loan costs incurred in connection with such unsecured credit facility and term loan were written off. Such amount is reflected as an extraordinary loss in the Company's consolidated statements of income.

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, 2000, the Company had availability under the Credit Facility to borrow an additional \$358.4 million (of which, \$51.3 million has been allocated for outstanding undrawn letters of credit).

On November 2, 2000, the Company obtained a three year secured \$250 million first mortgage commitment on the property located at 919 Third Avenue, New York N. Y. Interest rates on borrowings under the commitment are based on LIBOR plus a spread ranging from 110 basis points to 140 basis points based upon the outstanding balance. At closing, \$200 million was funded under the commitment at an interest rate of LIBOR plus 120 basis points. In addition, in connection with the \$200 million initial funding, the Company purchased a LIBOR interest rate hedge that provides for a maximum LIBOR rate of 9.25%. The initial funding was used primarily to repay outstanding borrowings under the Company's Credit Facility.

### Capitalization

The Company's indebtedness at December 31, 2000 totaled approximately \$1.4 billion (including its share of joint venture debt and net of minority partners' interests) and was comprised of \$216.6 million outstanding under the Credit Facility, approximately \$449.4 million of senior unsecured notes and approximately \$714.8 million of mortgage indebtedness with a weighted average interest rate of approximately 7.8% and a weighted average maturity of approximately 8.1 years. Based on the Company's total market capitalization of approximately \$3.4 billion at December 31, 2000 (calculated based on the sum

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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, (v) the contributed value of Metropolitan's preferred interest and (vi) the \$1.4 billion of debt), the Company's debt represented approximately 40.6% 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.

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 provided for fixed base rent increases or indexed escalations. In addition, the office leases provide for separate escalations of real estate taxes 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 certain mortgage notes 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

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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). 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.

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

|  | 2000       | 1999       |
|--|------------|------------|
|  | -----      | -----      |
| Income before preferred dividends and distributions, limited partners' minority interest in the operating partnership and extraordinary loss ..... | \$ 127,107 | \$ 97,240  |
| Less:  |            |            |
| Preferred dividends and distributions .....  | 28,012     | 27,001     |
| Extraordinary loss, net of limited partners' minority interest in the operating partnership of \$175, \$74 and \$323, respectively.....            | 1,396      | 555        |
| Limited partners' minority interest in the operating partnership .....   | 11,669     | 9,407      |
|  | -----      | -----      |
| Net income available to common shareholders .....  | 86,030     | 60,277     |
| Adjustments for Funds From Operations  |            |            |
| Add:   |            |            |
| Limited partners' minority interest in the operating partnership .....   | 11,669     | 9,407      |
| Real estate depreciation and amortization .....  | 90,552     | 72,124     |
| Minority interests' in consolidated partnerships .....   | 9,120      | 6,802      |
| Extraordinary loss, net of limited partners' minority interest in the operating partnership of \$175, \$74 and \$323, respectively.....            | 1,396      | 555        |
| Less:  |            |            |
| Gain (loss) on dispositions of real estate .....   | 18,669     | 10,052     |
| Amount distributed to minority partners in consolidated partnerships .....   | 12,316     | 8,293      |
|  | -----      | -----      |
| Basic Funds From Operations .....  | 167,782    | 130,820    |
| Add:   |            |            |
| Dilutive preferred dividends and distributions .....   | 34,387     | 30,861     |
|  | -----      | -----      |
| Diluted Fund From Operations .....   | \$ 202,169 | \$ 161,681 |
|  | =====      | =====      |
| Weighted Average Shares/OP Units outstanding (1) .....   | 61,050     | 54,719     |

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|  |        |        |
|--|--------|--------|
| Diluted Weighted Average Shares/OP Units outstanding (1) ..... | 78,119 | 70,013 |
|--|--------|--------|

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

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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 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 December 31, 2000 (dollars in thousands):

|                                      | FOR THE YEAR ENDED DECEMBER 31, |            |            |            |
|--------------------------------------|---------------------------------|------------|------------|------------|
|                                      | 2001                            | 2002       | 2003       | 2004       |
| Long term debt:                      |                                 |            |            |            |
| Fixed rate .....                     | \$ 23,225                       | \$ 17,011  | \$ 8,905   | \$ 112,370 |
| Weighted average interest rate ..... | 7.59%                           | 7.80%      | 7.79%      | 7.50%      |
| Variable rate .....                  | \$ 70,000                       | \$ --      | \$ 416,600 | \$ --      |
| Weighted average interest rate ..... | 8.43%                           |            | 7.91%      |            |
|                                      | THEREAFTER                      | TOTAL (1)  | F M V      |            |
| Long term debt:                      |                                 |            |            |            |
| Fixed rate .....                     | \$ 736,993                      | \$ 908,971 | \$ 908,971 |            |
| Weighted average interest rate ..... | 7.56%                           | 7.56%      |            |            |
| Variable rate .....                  | \$ --                           | \$ 486,600 | \$ 486,600 |            |
| Weighted average interest rate ..... |                                 | 7.98%      |            |            |

(1) Includes unamortized issuance discounts of \$615,000 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 \$4.9 million annual increase in interest expense based on approximately \$486.6 million of variable rate debt outstanding at December 31, 2000.

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, 2000 (dollars in thousands):

|                                      | FOR THE YEAR ENDED DECEMBER 31, |           |           |           |       |
|--------------------------------------|---------------------------------|-----------|-----------|-----------|-------|
|                                      | 2001                            | 2002      | 2003      | 2004      | 2005  |
| Mortgage notes and notes receivable: |                                 |           |           |           |       |
| Fixed rate .....                     | \$ 15                           | \$ 4,209  | \$ --     | \$ 36,500 | \$ -- |
| Weighted average interest rate ..... | 9.00%                           | 10.08%    |           | 10.23%    |       |
|                                      | THEREAFTER                      | TOTAL (2) | F M V     |           |       |
| Mortgage notes and notes receivable: |                                 |           |           |           |       |
| Fixed rate .....                     | \$ 16,990                       | \$ 57,714 | \$ 57,714 |           |       |
| Weighted average interest rate ..... | 11.65%                          | 10.63%    |           |           |       |

(2) Excludes mortgage note receivable acquisition costs and interest receivables aggregating approximately \$506,000.

### 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" of the Company's definitive proxy statement for the 2001 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 2001 annual meeting of stockholders is incorporated herein by reference.

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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 2001 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 2001 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, 2000 and December 31, 1999 .....                           | IV-6  |
| Consolidated Statements of Income for the years ended December 31, 2000, 1999 and 1998 .....              | IV-7  |
| Consolidated Statement of Stockholders' Equity for the years ended December 31, 2000, 1999 and 1998. .... | IV-8  |
| Consolidated Statements of Cash Flows for the years ended December 31, 2000, 1999 and 1998 . ....         | IV-9  |
| Notes to Financial Statements .....   | IV-10 |
| Schedule III - Real Estate and Accumulated Depreciation .....   | IV-29 |

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  |
| 3.1            | a                | Amended and Restated Articles of Incorporation of the Registrant   |
| 3.1            | a                | Amended and Restated Articles of Incorporation of the Registrant   |
| 3.2            | n                | Amended and Restated By-Laws of the Registrant   |
| 3.3            | g                | Articles Supplementary of the Registrant Establishing and Fixing the Rig<br>Preferences of a Series of Shares of Preferred Stock filed with the Mary<br>Department of Assessments and Taxation on April 9, 1998  |
| 3.4            | o                | Articles Supplementary of the Registrant Establishing and Fixing the Rig<br>Preferences of a Class of Shares of Common Stock filed with the Maryland<br>Department of Assessments and Taxation on May 24, 1999   |
| 3.5            | j                | Articles Supplementary of the Registrant Establishing and Fixing the Rig<br>Preferences of a Series of Shares of Preferred Stock filed with the Mary<br>Department of Assessments and Taxation on May 28, 1999   |
| 3.6            | o                | Articles of Amendment of the Registrant filed with the Maryland State De<br>of Assessments and Taxation on January 4, 2000   |
| 3.7            | o                | Articles Supplementary of the Registrant filed with the Maryland State D<br>Assessments and Taxation on January 11, 2000   |
| 4.1            | b                | Specimen Share Certificate of Common Stock   |
| 4.2            | g                | Specimen Share Certificate of Series A Preferred Stock   |
| 4.3            | i                | Form of 7.40% Notes due 2004 of Reckson Operating Partnership, L.P.  |
| 4.4            | i                | Form of 7.75% Notes due 2009 of Reckson Operating Partnership, L.P.  |
| 4.5            | i                | Indenture, dated March 26, 1999, among Reckson Operating Partnership, L.<br>Registrant, and The Bank of New York, as trustee   |
| 4.6            | p                | Rights Agreement, dated as of October 13, 2000, between the Registrant a<br>American Stock Transfer & Trust Company, as Rights Agent, which includes<br>Exhibit A thereto, the Form of Articles Supplementary, as Exhibit B then<br>Form of Right Certificate, and as Exhibit C thereto, the Summary of Right<br>Purchase Preferred Shares |
| 10.1           | a                | Amended and Restated Agreement of Limited Partnership of Reckson Operati<br>Partnership, L.P.  |
| 10.2           | g                | Supplement to the Amended and Restated Agreement of Limited Partnership<br>Reckson Operating Partnership, L.P. Establishing Series A Preferred Unit<br>Partnership Interest  |
| 10.3           | g                | Supplement to the Amended and Restated Agreement of Limited Partnership<br>Reckson Operating Partnership, L.P. Establishing Series B Preferred Unit<br>Partnership Interest  |
| 10.4           | g                | Supplement to the Amended and Restated Agreement of Limited Partnership<br>Reckson Operating Partnership, L.P. Establishing Series C Preferred Unit<br>Partnership Interest  |
| 10.5           | g                | Supplement to the Amended and Restated Agreement of Limited Partnership<br>Reckson Operating Partnership, L.P. Establishing Series D Preferred Unit<br>Partnership Interest  |
| 10.6           | o                | Supplement to the Amended and Restated Agreement of Limited Partnership<br>Reckson Operating Partnership, L.P. Establishing Series B Common Units o<br>Partnership Interest  |
| 10.7           | o                | Supplement to the Amended and Restated Agreement of Limited Partnership<br>Reckson Operating Partnership, L.P. Establishing Series E Preferred Part<br>Units of Limited Partnership Interest   |
| 10.8           |                  | Supplement to the Amended and Restated Agreement of Limited Partnership<br>Reckson Operating Partnership, L.P. Establishing the Series F Junior Part<br>Preferred Partnership Units  |
| 10.9           | e                | Third Amended and Restated Agreement of Limited Partnership of Omni Part<br>L.P.   |
| 10.10          | p                | Amendment and Restatement of Employment and Noncompetition Agreement,<br>dated as of August 15, 2000, between the Registrant and Donald Rechler  |
| 10.11          | p                | Amendment and Restatement of Employment and Noncompetition Agreement,<br>dated as of August 15, 2000, between the Registrant and Scott Rechler   |

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| EXHIBIT<br>NUMBER | FILING<br>REFERENCE | DESCRIPTION   |
|-------------------|---------------------|---|
| 10.12             | p                   | Amendment and Restatement of Employment and Noncompetition Agreement, dated as of August 15, 2000, between the Registrant and Mitchell Rechler  |
| 10.13             | p                   | Amendment and Restatement of Employment and Noncompetition Agreement, dated as of August 15, 2000, between the Registrant and Gregg Rechler   |
| 10.14             | p                   | Amendment and Restatement of Employment and Noncompetition Agreement, dated as of August 15, 2000, between the Registrant and Roger Rechler   |
| 10.15             | p                   | Amendment and Restatement of Employment and Noncompetition Agreement, dated as of August 15, 2000, between the Registrant and Michael Maturo  |
| 10.16             | p                   | Amendment and Restatement of Employment and Noncompetition Agreement, dated as of August 15, 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             | c                   | Amended 1995 Stock Option Plan  |
| 10.20             | c                   | 1996 Employee Stock Option Plan   |
| 10.21             | b                   | Ground Leases for certain of the properties   |
| 10.22             | h                   | Third Amended and Restated Agreement of Limited Partnership of Reckson Limited Partnership  |
| 10.23             | a                   | Indemnity Agreement relating to 100 Oser Avenue   |
| 10.24             | e                   | Amended and Restated 1997 Stock Option Plan   |
| 10.25             | e                   | 1998 Stock Option Plan  |
| 10.26             | e                   | Note Purchase Agreement for the Senior Unsecured Notes  |
| 10.27             | p                   | Amendment and Restatement of Severance Agreement, dated as of August 15, 2000, between the Registrant and Donald Rechler  |
| 10.28             | p                   | Amendment and Restatement of Severance Agreement, dated as of August 15, 2000, between the Registrant and Scott Rechler   |
| 10.29             | p                   | Amendment and Restatement of Severance Agreement, dated as of August 15, 2000, between the Registrant and Mitchell Rechler  |
| 10.30             | p                   | Amendment and Restatement of Severance Agreement, dated as of August 15, 2000, between the Registrant and Gregg Rechler   |
| 10.31             | p                   | Amendment and Restatement of Severance Agreement, dated as of August 15, 2000, between the Registrant and Roger Rechler   |
| 10.32             | p                   | Amendment and Restatement of Severance Agreement, dated as of August 15, 2000, between the Registrant and Michael Maturo  |
| 10.33             | p                   | Amendment and Restatement of Severance Agreement, dated as of August 15, 2000, between the Registrant and Jason Barnett   |
| 10.34             | f                   | Amended and Restated Operating Agreement of Metropolitan Partners LLC, December 8, 1998   |
| 10.35             | h                   | Intercompany Agreement by and between Reckson Operating Partnership, L.P., Reckson Service Industries, Inc., dated May 13, 1998   |
| 10.36             | o                   | Amended and Restated Credit Agreement dated as of August 4, 1999 between Reckson Service Industries, Inc., as borrower and Reckson Operating Partnership, L.P., as Lender relating to Reckson Strategic Venture Partners, LLC ("Agreement")                   |
| 10.37             | o                   | Amended and Restated Credit Agreement dated as of August 4, 1999 between Reckson Service Industries, Inc., as borrower and Reckson Operating Partnership, L.P., as Lender relating to the operations of Reckson Service Industries, Inc. ("Credit Agreement") |
| 10.38             | o                   | Letter Agreement, dated November 30, 1999, amending the RSVP Credit Agreement and the RSI Credit Agreement  |
| 10.39             | j                   | Purchase Agreement dated as of May 27, 1999 among Stichting Pensioenfonds voor de Reckson Service Industries, Inc., The Travelers Insurance Company, The Travelers Life and Annuity Company   |

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Standard Fire Insurance Company, Travelers Casualty and Surety Company Registrant and Reckson Operating Partnership, L.P. relating to 6,000,000 Series B Convertible Cumulative Preferred Stock

| EXHIBIT NUMBER | FILING REFERENCE | DESCRIPTION   |
|----------------|------------------|---|
| 10.40          | j                | Registration Rights Agreement among Stichting Pensioenfonds ABP, The Travelers Life and Annuity Company, The Standard Fire Insurance Company, Travelers Casualty and Surety Company and the Registrant relating to 6,000,000 shares of Series B Convertible Cumulative Preferred Stock  |
| 10.41          | k                | Consolidated, Amended and Restated Fee and Leasehold Mortgage Note relating to 919 Third Avenue   |
| 10.42          | m                | Agreement of Purchase and Sale, between NBBRE 919 Third Avenue Associates, L.P., as Seller, and Reckson Operating Partnership, L.P., as Purchaser   |
| 10.43          | k                | Side Letter to Agreement of Purchase and Sale, between NBBRE 919 Third Avenue Associates, L.P., as Seller, and Reckson Operating Partnership, L.P., as Purchaser  |
| 10.44          | l                | Contribution and Exchange Agreement by and between Reckson Morris Industrial Trust, Reckson Morris Industrial Interim GP, LLC, Reckson Operating Partnership, L.P., Robert Morris, Joseph D. Morris, Ronald Schram, Mark M. Bava, The Morris Trust, The Justin Morris Trust, The Keith Morris Trust, Joseph Morris Family Limited Partnership and Robert Morris Family Limited Partnership, American Real Estate Investment L.P. and American Real Estate Corporation |
| IV-2           |                  |   |
| 10.45          | q                | Registration Rights Agreement, dated June 16, 2000, between the Registrant and Stichting Pensioenfonds ABP  |
| 10.46          | p                | \$575 million Credit Facility dated as of September 7, 2000 among Reckson Operating Partnership, L.P., The Chase Manhattan Bank, UBS Warburg Dillon Read, Bank and Chase Securities Inc.  |
| 10.47          | p                | Guaranty Agreement dated as of September 7, 2000 among the Registrant, Manhattan Bank and UBS Warburg LLC   |
| 10.48          | p                | Operating Agreement dated as of September 28, 2000 between Reckson Tripartite Member LLC (together with its permitted successors and assigns) and Tripartite LLC  |
| 10.49          |                  | Secured Loan Agreement among Metropolitan 919 3rd Avenue LLC (as borrower), Merrill Lynch Mortgage Capital Inc., Bayerische Landesbank, Cayman Islands Branch, Commerzbank AG New York and Grand Cayman Branches, Wells Fargo Bank, National Association and the other lenders signatory thereto.   |
| 10.50          |                  | Loan agreement between 1350 LLC, as Borrower, and Secore Financial Corporation as Lender  |
| 10.51          |                  | Agreement of Spreader, Consolidation and Modification of Mortgage Security Agreement among Metropolitan 810 7th Ave., LLC, 100 Wall Company LLC and Monumental Life Insurance Company   |
| 10.52          |                  | Consolidated, Amended and Restated Secured Promissory Note relating to Metropolitan 810 7th Ave., LLC and 100 Wall Company 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)  |

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(a) Previously filed as an exhibit to the Registrant's Registration Statement Form S-11 (No. 333-1280) and incorporated herein by reference.

(b) Previously filed as an exhibit to the Registrant's Registration Statement Form S-11 (No. 33-84324) and incorporated herein by reference.

(c) Previously filed as an exhibit to the Registrant's Form 8-K report filed with the SEC on November 25, 1996 and incorporated herein by reference.

(d) Previously filed as an exhibit to the Registrant's Form 8-K report filed with the SEC on February 5, 1999 and incorporated herein by reference.

(e) Previously filed as an exhibit to the Registrant's Form 10-K filed with the SEC on March 26, 1998 and incorporated herein by reference.

(f) Previously filed as an exhibit to the Registrant's Form 8-K report filed with the SEC on December 22, 1998 and incorporated herein by reference.

(g) Previously filed as an exhibit to the Registrant's Form 8-K report filed with the SEC on March 1, 1999 and incorporated herein by reference.

(h) Previously filed as an exhibit to the Registrant's Form 10-K filed with the SEC on March 16, 1999 and incorporated herein by reference.

(i) Previously filed as an exhibit to the Registrant's Form 8-K filed with SEC on March 26, 1999 and incorporated herein by reference.

(j) Previously filed as an exhibit to the Registrant's Form 8-K filed with SEC on June 7, 1999 and incorporated herein by reference.

(k) Previously filed as an exhibit to the Registrant's Form 8-K filed with SEC on June 25, 1999 and incorporated herein by reference.

(l) Previously filed as an exhibit to the Registrant's Form 8-K filed with SEC on August 25, 1999 and incorporated herein by reference.

(m) Previously filed as an exhibit to the Registrant's Form 8-K filed with SEC on January 14, 2000 and incorporated herein by reference.

(n) Previously filed as an exhibit to the Registrant's Form 10-Q filed with the SEC on November 13, 2000 and incorporated herein by reference.

(o) Previously filed as an exhibit to the Registrant's Form 10-K filed with the SEC on March 17, 2000 and incorporated herein by reference.

(p) Previously filed as an exhibit to the Registrant's Form 8-K filed with the SEC on October 17, 2000 and incorporated herein by reference.

(q) Previously filed as an exhibit to the Registrant's Form 10-Q filed with the SEC on August 11, 2000 and incorporated herein by reference.

### (B) REPORTS ON FORM 8-K

On October 17, 2000, the Registrant filed a report on Form 8-K relating to:

- (i) the authorization by the Registrant's Board of Directors of a dividend distribution of one preferred share purchase right for each outstanding shares of Class A common stock of the Registrant under a shareholder

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rights plans;

- (ii) the purchase by a subsidiary of Teachers Insurance and Annuity Association of America from a subsidiary of the Operating Partnership of a 49% interest in RT Tri-State LLC for approximately \$136 million;
- (iii) the Operating Partnership entering into an unsecured revolving credit facility of up to \$575 million with The Chase Manhattan Bank, UBS Warburg LLC, Deutsche Bank and Chase Securities Inc;
- (iv) the Registrant's entrance into employment and noncompetition agreements and severance agreements with each of its executive officers; and
- (v) the adoption by the Registrant's Board of Directors of a new bylaw provision.

On November 2, 2000, the Registrant submitted a report on Form 8-K under Item 9 thereof in order to submit its third quarter presentation in satisfaction of the requirements of Regulation FD.

On November 3, 2000, 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 in satisfaction of the requirements of Regulation FD.

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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 21, 2001.

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, that we, the undersigned officers and directors of Reckson Associates Realty Corp., hereby severally constitute Scott H. Rechler, Mitchell D. Rechler and Michael Maturo, and each of them singly, our true and lawful attorneys 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 21, 2001.

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| NAME  | TITLE  | NAME  | T   |
|---|--|---|-----|
| /s/ Donald J. Rechler<br>-----<br>(Donald J. Rechler)     | Chairman of the Board,<br>Co-Chief Executive Officer<br>and Director (principal<br>executive officer)                                      | /s/ Leonard Feinstein<br>-----<br>Leonard Feinstein     | Dir |
| /s/ Scott Rechler<br>-----<br>(Scott Rechler)             | President<br>Co-Chief Executive Officer<br>and Director  | /s/ John N. Klein<br>-----<br>(John N. Klein)           | Dir |
| /s/ Roger M. Rechler<br>-----<br>(Roger M. Rechler)       | Vice Chairman of the Board,<br>Executive Vice President<br>and Director  | /s/ Conrad Stephenson<br>-----<br>(Conrad Stephenson)   | Dir |
| /s/ Michael Maturo<br>-----<br>(Michael Maturo)           | Executive Vice President,<br>Treasurer and Chief<br>Financial Officer (principal<br>financial officer and<br>principal accounting officer) | /s/ Herve A. Kevenides<br>-----<br>(Herve A. Kevenides) | Dir |
| /s/ Mitchell D. Rechler<br>-----<br>(Mitchell D. Rechler) | Executive Vice President, Co -<br>Chief Operating Officer<br>and Director  | /s/ Lewis S. Ranieri<br>-----<br>(Lewis S. Ranieri)     | Dir |
|   |  | /s/ Harvey R. Blau<br>-----<br>(Harvey R. Blau)         | Dir |

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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, 2000 and 1999, and the related consolidated statements of income, stockholders' equity, and cash flows for each of the three years in the period ended December 31, 2000. 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



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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 Associates Realty Corp. at December 31, 2000 and 1999, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 2000, 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 13, 2001

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

|   | DECEMBER               |
|---|------------------------|
|   | -----<br>2000<br>----- |
| <b>ASSETS</b>   |                        |
| Commercial real estate properties, at cost: (Notes 2, 3, 5, 6 and 8)  |                        |
| Land .....  | \$ 396,482             |
| Buildings and improvements .....  | 2,219,448              |
| Developments in progress:   |                        |
| Land .....  | 60,918                 |
| Development costs .....   | 93,759                 |
| Furniture, fixtures and equipment .....   | 7,138                  |
|   | -----                  |
|   | 2,777,745              |
| Less accumulated depreciation .....   | (288,479)              |
|   | -----                  |
|   | 2,489,266              |
| Investments in real estate joint ventures (Note 8) .....  | 43,534                 |
| Investment in mortgage notes and notes receivable (Note 6) .....  | 58,220                 |
| Cash and cash equivalents (Note 9) .....  | 17,843                 |
| Tenant receivables .....  | 11,511                 |
| Investments in and advances to affiliates (Note 8) .....  | 177,474                |
| Deferred rents receivable .....   | 67,930                 |
| Prepaid expenses and other assets .....   | 68,895                 |
| Contract and land deposits and pre-acquisition costs .....  | 1,676                  |
| Deferred lease and loan costs, less accumulated amortization of \$32,773<br>and \$24,484, respectively..... | 61,681                 |
|   | -----                  |
| Total Assets .....  | \$ 2,998,030<br>=====  |
| <b>LIABILITIES</b>  |                        |

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|  |              |
|--|--------------|
| Mortgage notes payable (Note 2) .....  | \$ 728,971   |
| Unsecured credit facility (Note 3) .....   | 216,600      |
| Unsecured term loan (Note 3) .....   | --           |
| Senior unsecured notes (Note 4) .....  | 449,385      |
| Accrued expenses and other liabilities (Note 5) .....  | 95,393       |
| Dividends and distributions payable .....  | 28,801       |
|  | -----        |
| Total Liabilities .....  | 1,519,150    |
|  | -----        |
| Minority interests' in consolidated partnerships .....   | 226,350      |
| Preferred unit interest in the operating partnership .....   | 42,518       |
| Limited partners' minority interest in the operating partnership .....                                 | 97,353       |
|  | -----        |
|  | 366,221      |
|  | -----        |
| Commitments and other comments (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 and 6,000,000 shares issued and<br>outstanding, respectively ..... | 20           |
| Common Stock, \$.01 par value, 100,000,000 shares authorized   |              |
| Class A common stock, 45,352,286 and 40,375,506 shares issued and<br>outstanding, respectively .....   | 454          |
| Class B common stock, 10,283,513 and 10,283,763 shares issued and<br>outstanding, respectively .....   | 103          |
| Additional paid in capital .....   | 1,111,990    |
|  | -----        |
| Total Stockholders' Equity .....   | 1,112,659    |
|  | -----        |
| Total Liabilities and Stockholders' Equity .....   | \$ 2,998,030 |
|  | =====        |

(see accompanying notes to financial statements)

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

|   | FOR THE YEAR |
|---|--------------|
|   | -----        |
|   | 2000         |
|   | -----        |
| REVENUES (Note 10):   |              |
| Base Rents .....  | \$ 397,327   |
| Tenant escalations and reimbursements .....                             | 54,750       |
| Equity in earnings of service companies and real estate joint ventures. | 4,383        |
| Interest income on mortgage notes and notes receivable .....            | 8,212        |
| Gain (loss) on dispositions of real estate (Note 6) .....               | 18,669       |

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|   |            |
|---|------------|
| Investment and other income .....   | 26,597     |
|   | -----      |
| Total Revenues .....  | 509,938    |
|   | -----      |
| EXPENSES:   |            |
| Property operating expenses .....   | 157,456    |
| Marketing, general and administrative .....   | 27,371     |
| Interest .....  | 96,337     |
| Depreciation and amortization .....   | 92,547     |
|   | -----      |
| Total Expenses .....  | 373,711    |
|   | -----      |
| Income before preferred dividends and distributions, minority interests and extraordinary loss .....  | 136,227    |
| Minority partners' interests in consolidated partnerships .....   | (9,120)    |
| Distributions to preferred unit holders .....   | (2,641)    |
| Limited partners' minority interest in the operating partnership .....  | (11,669)   |
|   | -----      |
| Income before dividends to preferred shareholders and extraordinary loss .....  | 112,797    |
| Extraordinary loss on extinguishment of debts, net of limited partners' minority interest share of \$175, \$74 and \$323, respectively (Note 3) . | (1,396)    |
|   | -----      |
| Net Income .....  | 111,401    |
| Dividends to preferred shareholders .....   | (25,371)   |
|   | -----      |
| Net income available to common shareholders .....   | \$ 86,030  |
|   | =====      |
| Net income available to:  |            |
| Class A common shareholders .....   | \$ 62,989  |
| Class B common shareholders .....   | 23,041     |
|   | -----      |
| Total .....   | \$ 86,030  |
|   | =====      |
| Basic earnings per weighted average common share:   |            |
| Class A common shareholders .....   | \$ 1.49    |
| Extraordinary loss per Class A common share .....   | ( .03)     |
|   | -----      |
| Net income per Class A common share .....   | \$ 1.46    |
|   | =====      |
| Class B common shareholders .....   | \$ 2.28    |
| Extraordinary loss per Class B common share .....   | ( .04)     |
|   | -----      |
| Net income per Class B common share .....   | \$ 2.24    |
|   | =====      |
| Basic weighted average common shares outstanding:   |            |
| Class A common shareholders .....   | 43,070,000 |
| Class B common shareholders .....   | 10,284,000 |
| Diluted net income per weighted average common share:   |            |
| Class A common shareholders .....   | \$ 1.45    |
| Class B common shareholders .....   | \$ 1.59    |
| Diluted weighted average common shares outstanding:   |            |
| Class A common shareholders .....   | 43,545,000 |
| Class B common shareholders .....   | 10,284,000 |

(see accompanying notes to financial statements)

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RECKSON ASSOCIATES REALTY CORP.  
CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY  
(IN THOUSANDS)

|  | CLASS A<br>COMMON<br>STOCK | CLASS B<br>COMMON<br>STOCK | SERIES A<br>PREFERRED<br>STOCK | SERIES B<br>PREFERRED<br>STOCK | ADDITIONAL<br>PAID IN<br>CAPITAL | RETAIN<br>EARNIN |
|--|----------------------------|----------------------------|--------------------------------|--------------------------------|----------------------------------|------------------|
| Stockholders equity  |                            |                            |                                |                                |                                  |                  |
| January 1, 1998 .....  | \$ 378                     | \$ --                      | \$--                           | \$ --                          | \$ 448,287                       | \$               |
| Net proceeds from<br>preferred stock offering...               | --                         | --                         | 92                             | --                             | 220,708                          |                  |
| Conversions of preferred<br>stock .....                        | --                         | --                         | --                             | --                             | (31)                             |                  |
| Net proceeds from Class<br>A common stock<br>offerings .....   | 21                         | --                         | --                             | --                             | 41,340                           |                  |
| Issuance of OP Units .....                                     | --                         | --                         | --                             | --                             | 11,576                           |                  |
| Net proceeds from long<br>term compensation<br>issuances ..... | 1                          | --                         | --                             | --                             | 990                              |                  |
| Net Income .....   | --                         | --                         | --                             | --                             | --                               | 37,              |
| Dividends and<br>distributions paid and<br>payable .....       | --                         | --                         | --                             | --                             | (17,298)                         | (37,             |
| Stockholders' equity   |                            |                            |                                |                                |                                  |                  |
| December 31, 1998 .....  | 400                        | --                         | 92                             | --                             | 705,572                          |                  |
| Net proceeds from<br>preferred stock offering...               | --                         | --                         | --                             | 60                             | 149,940                          |                  |
| Net proceeds from Class<br>B common stock<br>offering .....    | --                         | 117                        | --                             | --                             | 302,536                          |                  |
| Repurchases of Class B<br>common stock .....                   | --                         | (14)                       | --                             | --                             | (30,273)                         |                  |
| Redemption of OP Units.....                                    | --                         | --                         | --                             | --                             | --                               |                  |
| Net proceeds from long<br>term compensation<br>issuances ..... | 4                          | --                         | --                             | --                             | 1,593                            |                  |
| Net income .....   | --                         | --                         | --                             | --                             | --                               | 60,              |
| Dividends and<br>distributions paid and<br>payable .....       | --                         | --                         | --                             | --                             | (13,071)                         | (60,             |
| Stockholders' equity   |                            |                            |                                |                                |                                  |                  |
| December 31, 1999 .....  | 404                        | 103                        | 92                             | 60                             | 1,116,297                        |                  |
| Conversion of Series B<br>Preferred Stock .....                | 42                         | --                         | --                             | (40)                           | (6,765)                          |                  |
| Redemption of OP Units.....                                    | --                         | --                         | --                             | --                             | --                               |                  |
| Net proceeds from long<br>term compensation<br>issuances ..... | 8                          | --                         | --                             | --                             | 6,656                            |                  |

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|  |        |        |      |       |              |       |
|--|--------|--------|------|-------|--------------|-------|
| Net income .....                                   | --     | --     | --   | --    | --           | 86,   |
| Dividends and distributions paid and payable ..... | --     | --     | --   | --    | (4,198)      | (86,  |
| Stockholders' equity                               |        |        |      |       |              |       |
| December 31, 2000 .....                            | \$ 454 | \$ 103 | \$92 | \$ 20 | \$ 1,111,990 | \$    |
|  | =====  | =====  | ===  | ===== | =====        | ===== |

(see accompanying notes to financial statements)

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

|   | FOR THE YEAR |
|---|--------------|
|   | 2000         |
|   | -----        |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>  |              |
| Net Income .....  | \$ 111,401   |
| Adjustments to reconcile net income to net cash provided by operating activities:                   |              |
| Depreciation and amortization .....   | 92,547       |
| Extraordinary loss, net of minority interests .....   | 1,396        |
| Minority partners' interests in consolidated partnerships .....                                     | 9,120        |
| Limited partners' minority interest in the operating partnership .....                              | 11,669       |
| Gain (loss) on dispositions of real estate, securities and mortgage repayment.....                  | (18,669)     |
| Distributions from investments in real estate joint ventures .....                                  | 368          |
| Equity in earnings of service companies and real estate joint ventures .....                        | (4,383)      |
| Changes in operating assets and liabilities:  |              |
| Deferred rents receivable .....   | (35,798)     |
| Prepaid expenses and other assets .....   | (9,582)      |
| Tenant and affiliate receivables .....  | (6,394)      |
| Accrued expenses and other liabilities .....  | 17,857       |
| Net cash provided by operating activities .....   | 169,532      |
| <b>CASH FLOWS FROM INVESTMENT ACTIVITIES:</b>   |              |
| Purchases of commercial real estate properties .....  | (190,548)    |
| Investment in mortgage notes and notes receivable .....   | --           |
| (Increase) decrease in contract deposits and preacquisition costs .....                             | (2,023)      |
| Additions to developments in progress .....   | (13,392)     |
| Additions to commercial real estate properties .....  | (89,818)     |
| Payment of leasing costs .....  | (24,082)     |
| Investments in securities .....   | --           |
| Additions to furniture, fixtures and equipment .....  | (742)        |
| Investments in real estate joint ventures .....   | (10,780)     |
| Investment in and distributions from service companies .....  | --           |
| Proceeds from dispositions of real estate, securities and mortgage note receivable repayments ..... | 49,810       |
| Net cash used in investing activities .....   | (281,575)    |

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CASH FLOWS FROM FINANCING ACTIVITIES:

|  |            |
|--|------------|
| Proceeds from secured borrowings .....   | 297,163    |
| Principal payments on secured borrowings .....   | (27,367)   |
| Proceeds from issuance of senior unsecured notes, net of issuance costs .....                  | --         |
| Proceeds from issuance of preferred stock, net of issuance costs .....                         | --         |
| Proceeds from redemption of KTR preferred stock .....  | 19,903     |
| Payment of loan and equity issuance costs .....  | (11,649)   |
| Investments in and advances to affiliates .....  | (12,516)   |
| Proceeds from unsecured credit facilities and term loans .....                                 | 689,600    |
| Principal payments on unsecured credit facilities and term loans .....                         | (845,600)  |
| Repurchases of Class B common stock .....  | --         |
| Proceeds from issuance of common stock and exercise of options, net of<br>issuance costs ..... | 4,010      |
| Contributions by minority partners in consolidated partnerships .....                          | 135,975    |
| Distributions to minority partners in consolidated partnerships .....                          | (12,632)   |
| Distributions to limited partners in the operating partnership .....                           | (11,654)   |
| Distributions to preferred unit holders .....  | (2,641)    |
| Dividends to common shareholders .....   | (87,437)   |
| Dividends to preferred shareholders .....  | (26,637)   |
| <hr/>  |            |
| Net cash provided by financing activities .....  | 108,518    |
| <hr/>  |            |
| Net increase (decrease) in cash and cash equivalents .....                                     | (3,525)    |
| Cash and cash equivalents at beginning of period .....   | 21,368     |
| <hr/>  |            |
| Cash and cash equivalents at end of period .....   | \$ 17,843  |
| <hr/>  |            |
| SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:  |            |
| Cash paid during the period for interest, including interest capitalized .....                 | \$ 106,106 |
| <hr/>  |            |

(see accompanying notes to financial statements)

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RECKSON ASSOCIATES REALTY CORP.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2000

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.

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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 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 (see note 6).

### 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, 2000 and 1999 and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2000. The Operating Partnership's investments in Metropolitan, Omni Partner's, L. P. ("Omni"), the Tri-State JV (see note 6) and certain industrial joint venture properties formerly owned by Reckson Morris Operating Partnership, L. P. ("RMI") are reflected in the accompanying financial statements on a consolidated basis with a reduction for minority partners' interest. The Operating Partnership's investment in RMI was reflected in the accompanying financial statements on a consolidated basis with a reduction for minority partner's interest through September 26, 1999. On September 27, 1999, the Operating Partnership sold its interest in RMI to Keystone Property Trust ("KTR"). The operating results of the service businesses currently conducted by Reckson Management Group, Inc. ("RMG"), and Reckson Construction Group, Inc. ("RCG"), 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.

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

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

The merger with Tower was accounted for as a purchase in accordance with Accounting Principles Board Opinion No. 16. Accordingly, the fair value of the consideration given by the Company, in accordance with the accounting principles generally accepted in the United States ("GAAP"), was used as the

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valuation basis for the merger. The assets acquired and liabilities assumed by the Company were recorded at the fair value as of the closing date of the merger.

The minority interests at December 31, 2000 represent an approximate 12% limited partnership minority interest in the Operating Partnership, a convertible preferred interest in Metropolitan, a 49% interest in the Tri-State JV and a 40% interest in Omni.

### Use of Estimates

The preparation of financial statements in conformity with 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.

### 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.

Tenant's lease security deposits aggregating approximately \$6.1 million and \$5.1 million at December 31, 2000 and 1999, 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 are capitalized and amortized over the term of the related loan.

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

### Income Taxes

The Company generally will not be subject to federal income taxes as long as it qualifies as a REIT. A REIT will generally not be subject to federal income taxation on that portion of income that qualifies as REIT taxable income and to the extent that it distributes such taxable income to its stockholders and complies with certain requirements. As a REIT, the Company is allowed to reduce taxable income by all or a portion of distributions to stockholders and must distribute at least 90% of its taxable income to qualify as a REIT. As distributions, for federal income tax purposes, have exceeded taxable income, no federal income tax provision has been reflected in the accompanying consolidated financial statements. State income taxes are not significant.

During 2000, the Company paid cash dividends on its Class A common stock



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of approximately \$1.51 per share and \$2.32 per share on its Class B common stock. During 1999, the Company paid cash dividends on its Class A common stock of approximately \$1.42 per share and approximately \$.98 per

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

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

share (representing the period from May 24, 1999 through October 31, 1999) on its Class B common stock. For 2000, approximately 90.08% of the dividends paid on the Company's Class A common stock and Class B common stock were considered ordinary income for federal tax purposes. The remaining 9.92% of the dividends paid were treated as a capital gain distribution, with approximately 5.65% of the dividends subject to a 20% tax rate and approximately 4.27% of the dividends subject to a 25% tax rate for individuals and certain other tax payers. For 1999, approximately 92.75% of the dividends paid on the Company's Class A common stock and Class B common stock were considered ordinary income for federal tax purposes. The remaining 7.25% of the dividends paid were treated as a capital gain distribution, subject to a 20% tax rate for individuals and certain other taxpayers.

#### 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. 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 (loss) on dispositions 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.

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### 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 was recognized because the exercise price of the Company's employee stock options equals the market price of the underlying stock on the date of grant (see Note 7).

### Segment Reporting

In 1997, the FASB issued Statement No. 131 "Disclosures about segments of an Enterprise and Related Information" ("Statement 131") which is effective for fiscal years beginning after December 15, 1997. Statement 131 establishes standards for reporting information about operating segments in annual

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

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

financial statements and in interim financial reports. It also establishes standards for related disclosures about products and services, geographic areas and major customers. The adoption of this standard had no impact on the Company's financial position or results of operations but did affect the disclosure of segment information (see Note 11).

#### Recent Pronouncements

In June 1999, the FASB issued Statement No. 137, amending Statement No. 133, "Accounting for Derivative Instruments and Hedging Activities", which extended the required date of adoption to the years beginning after June 15, 2000. The Company will adopt the new Statement effective January 1, 2001. Because of the Company's minimal use of derivatives, management does not anticipate that the adoption of the new Statement will have a significant effect on 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

At December 31, 2000, there were 19 mortgage notes payable with an aggregate outstanding principal amount of approximately \$729 million. Properties with an aggregate carrying value at December 31, 2000 of approximately \$1,362 million are pledged as collateral against the mortgage notes payable. In addition, approximately \$47 million of the \$729 million are recourse to the Company. The mortgage notes bear interest at rates ranging from 6.45% to 10.10%, and mature between 2001 and 2027. The weighted average interest rates on the outstanding mortgage notes payable at December 31, 2000, 1999 and 1998 were approximately 7.8%, 7.6% and 7.8%, respectively. Certain of

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the mortgage notes payable are guaranteed by certain minority partners in the Operating Partnership.

Scheduled principal repayments during the next five years and thereafter are as follows (in thousands):

YEAR ENDED DECEMBER 31,  
-----

|                  |            |
|------------------|------------|
| 2001 .....       | \$ 93,225  |
| 2002 .....       | 17,011     |
| 2003 .....       | 208,905    |
| 2004 .....       | 12,370     |
| 2005 .....       | 10,467     |
| Thereafter ..... | 386,993    |
|                  | -----      |
|                  | \$ 728,971 |
|                  | =====      |

On January 13, 2000, in connection with the acquisition of 1350 Avenue of the Americas, the Company obtained a secured \$70 million first mortgage commitment which matures in August 2001 and bears interest at LIBOR plus 165 basis points.

On November 2, 2000, in connection with the acquisition of 919 Third Avenue, the Company obtained a three year secured \$250 million first mortgage commitment. Interest rates on borrowings under the commitment are based on LIBOR plus a spread ranging from 110 basis points to 140 basis points based upon the outstanding balance. At closing, \$200 million was funded under the commitment at an interest rate of LIBOR plus 120 basis points. In addition, in connection with the \$200 million initial funding, the Company purchased a LIBOR interest rate hedge that provides for a maximum LIBOR rate of 9.25%. The initial funding was used primarily to repay outstanding borrowings under the Company's unsecured credit facility.

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

#### 3. UNSECURED CREDIT FACILITY

As of December 31, 2000, 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 Credit Facility replaced the Company's existing \$500 million unsecured credit facility (together with the Credit Facility, the "Credit Facility") and \$75 million term loan. As a result, certain deferred loan costs incurred in connection with such unsecured credit facility and term loan were written off. Such amount is reflected as an extraordinary loss in the accompanying consolidated statements of income.

The Company utilizes the Credit Facility primarily to finance real estate investments, fund its real estate development activities and for working

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capital purposes. At December 31, 2000, the Company had availability under the Credit Facility to borrow an additional \$358.4 million (of which, \$51.3 million has been allocated for outstanding undrawn letters of credit).

The Company capitalized interest incurred on borrowings to fund certain development costs in the amount of \$11.5 million, \$9.8 million and \$7.3 million for the years ended December 31, 2000, 1999 and 1998, respectively.

#### 4. SENIOR UNSECURED NOTES

As of December 31, 2000, 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 Operating Partnership's Senior Unsecured Notes and other related disclosures (dollars in thousands):

| ISSUANCE        | FACE<br>AMOUNT | COUPON<br>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 fourteen of its buildings were constructed. The leases, which contain renewal options, expire between 2009 and 2236. 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 \$2.7 million and \$2.6 million at December 31, 2000 and 1999, 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 three air rights lease agreements. These lease agreements have terms expiring between 2048 and 2236, including renewal options.

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## NOTES TO FINANCIAL STATEMENTS - (CONTINUED)

### 5. LAND LEASES AND AIR RIGHTS - (CONTINUED)

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 |
|-------------------------|-------------|------------|
| 2001 .....              | \$ 2,114    | \$ 940     |
| 2002 .....              | 2,059       | 941        |
| 2003 .....              | 2,058       | 944        |
| 2004 .....              | 2,182       | 954        |
| 2005 .....              | 2,185       | 954        |
| Thereafter .....        | 51,084      | 137,791    |
|                         | \$ 61,682   | \$ 142,524 |
|                         | =====       | =====      |

### 6. COMMERCIAL REAL ESTATE INVESTMENTS

#### The Tower Merger

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.

The Company controls Metropolitan and owns 100% of the common equity; Crescent owns a \$85 million preferred equity investment in Metropolitan. Crescent's investment accrues distributions at a rate of 7.5% per annum for a two-year period (May 24, 1999 through May 24, 2001) and may be redeemed by Metropolitan at any time during that period for \$85 million, plus an amount sufficient to provide a 9.5% internal rate of return. If Metropolitan does not redeem the preferred interest, upon the expiration of the two-year period, Crescent must convert its \$85 million preferred interest into either (i) a common membership interest in Metropolitan or (ii) shares of the Company's Class A common stock at a conversion price of \$24.61 per share.

Prior to the closing of the merger, the Company arranged for the sale of four of Tower's Class B New York City properties, comprising approximately 701,000 square feet for approximately \$84.5 million. Subsequent to the closing of the merger, the Company has sold a real estate joint venture interest and all of the property located outside the Tri-State Area other than one office property located in Orlando, Florida for approximately \$171.1 million. The combined consideration consisted of approximately \$143.8 million in cash and approximately \$27.3 million of debt relief. Net cash proceeds from the sales

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were used primarily to repay borrowings under the Credit Facility. As a result of incurring certain sales and closing costs in connection with the sale of the assets located outside the Tri-State Area, the Company has incurred a loss of approximately \$4.4 million which has been included in gain (loss) on dispositions of real estate on the accompanying consolidated statements of income.

### "Big Box" Industrial Investment Activity

On August 9, 1999, the Company executed a contract for the sale, which took place in three stages, of its interest in RMI, which consisted of 28 properties, comprising approximately 6.1 million square feet and three other big box industrial properties to KTR. In addition, the Company also entered into a sale agreement with the Matrix Development Group ("Matrix") relating to a first mortgage note and certain industrial land holdings (the "Matrix Sale"). The combined total sales price of \$310 million (\$52 million

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

#### 6. COMMERCIAL REAL ESTATE INVESTMENTS - (CONTINUED)

of which is attributable to the Morris Companies and its affiliates in the form of \$41.6 million of preferred units of KTR's operating partnership and \$10.4 million of debt relief) consisted of (i) approximately \$159.7 million in cash, (ii) \$41.5 million in convertible preferred and common stock of KTR, (iii) \$61.6 million in preferred units of KTR's operating partnership, (iv) approximately \$37.1 million of debt relief and (v) approximately \$10.1 million in purchase money mortgage notes secured by certain land that is being sold to Matrix.

As of December 31, 2000, the Matrix Sale and the sale of the Company's interest in RMI was completed. As a result, the Company realized a gain of approximately \$16.7 million. Such gain has been included in gain on dispositions of real estate on the accompanying consolidated statements of income. Cash proceeds from the sales were used primarily to repay borrowings under the Credit Facility. In addition, as of December 31, 2000, the Company redeemed approximately \$20 million of the preferred stock of KTR and received principal repayments of approximately \$7.2 million related to the purchase money mortgage notes, all of which was used primarily for general operating expenditures.

#### Other Real Estate Investment Activity

On April 13, 1999, the Company received approximately \$25.8 million from the repayment of a mortgage note receivable which had been acquired at a discount and secured three office properties located in Garden City, Long Island, encompassing approximately 400,000 square feet. As a result, the Company recognized a gain of approximately \$4.3 million. Such gain has been included in gain on dispositions of real estate on the accompanying consolidated statements of income.

On June 15, 1999, the Company acquired the first mortgage note secured by a 47 story, 1.4 million square foot Class A office property located at 919 Third Avenue in New York City for approximately \$277.5 million. The first mortgage note entitled the Company to all the net cash flow of the property and to substantial rights regarding the operations of the property, with the

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Company anticipating to ultimately obtain title to the property. This acquisition was financed with proceeds from the issuance of six million shares of Series B Convertible Cumulative Preferred Stock and through draws under the Credit Facility. Current financial accounting guidelines provides that where a lender has virtually the same risks and potential rewards as those of a real estate owner it should recognize the full economics associated with the operations of the property. As such, the Company has recognized the real estate operations of 919 Third Avenue in the accompanying consolidated statements of income from the date of acquisition. On July 28, 2000, the Company consented to the filing of a consensual, pre-packaged bankruptcy plan with the current fee owner and on November 2, 2000 the Company obtained title to the property.

On January 13, 2000, the Company acquired 1350 Avenue of the Americas, a 540,000 square foot, 35 story, Class A office property, located in New York City, for a purchase price of approximately \$126.5 million. This acquisition was financed through a \$70 million secured debt financing and a draw under the Credit Facility.

On August 15, 2000, the Company acquired 538 Broadhollow Road, a 180,000 square foot Class A office property located in Melville, New York for a purchase price of approximately \$25.6 million. This acquisition was financed, in part, through a borrowing under the Credit Facility.

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 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. As a result, the Company realized a gain of approximately \$15.2 million. Such gain has been included in gain on dispositions of real estate on the accompanying consolidated statements of income. Cash proceeds received were used primarily to repay borrowings under the Credit Facility.

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

#### 6. COMMERCIAL REAL ESTATE INVESTMENTS - (CONTINUED)

In addition, as of December 31, 2000, the Company has invested approximately \$6.4 million in mortgage notes encumbering approximately 101 acres of land, approximately \$17.1 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, New York and \$36.5 million under three notes which bear interest at rates ranging from 10.5% to 11% per annum and are secured by a minority partner's preferred unit interest in the Operating Partnership.

The Company has announced that it has withdrawn its offer to purchase a tract of land located in Suffolk County, New York from the State of New York. As a result, as of December 31, 2000, the Company incurred a one-time non-recurring charge of \$3.2 million in connection with the discontinuation of this development project. Such amount has been included in gain (loss) on dispositions of real estate on the accompanying consolidated statements of income.

#### 7. STOCKHOLDERS' EQUITY

An OP Unit and a share of Class A common stock have essentially the same

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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.

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 1, 2000, the annual dividend on the Class B common stock was increased to \$2.40 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 June 2, 1999, the Company issued six million shares of Series B Convertible Cumulative Preferred Stock (the "Series B preferred stock") for aggregate proceeds of \$150 million. The Series B preferred stock is redeemable by the Company on or after March 2, 2002 and is convertible into the Company's Class A common stock at a price of \$26.05 per share. The Series B preferred stock accumulates dividends at an initial rate of 7.85% per annum with such rate increasing to 8.35% per annum on April 30, 2000 and to 8.85% per annum from and after April 30, 2001. 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.

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 December 31, 2000, the Company had purchased and retired 1,410,804 shares of Class B common stock for approximately \$30.3 million.

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

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

#### 7. STOCKHOLDERS' EQUITY - (CONTINUED)

the full value of their investment. The Rights Plan is designed to allow the Board of Directors to secure the best available transaction for all the Company's shareholders. The Rights Plan was not adopted in response to any known effort to acquire control of the Company.

Under the Rights Plan, each shareholder will receive a dividend of one



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Right 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 their intent to acquire, 15% or more of the Company's Class A common stock, or announces a tender offer the consummation of which would result in beneficial ownership by a person or group of 15% or more of the Class A common stock. Each Right will entitle the holder to purchase one one-thousandth of a share of a new series of junior participating preferred stock of the Company at an initial exercise price of \$84.44.

If any person acquires beneficial ownership of 15% or more of the outstanding shares of Class A common stock, then all Rights holders except the acquiring person will be entitled to purchase the Company's Class A common stock at a price discounted from the then market price. If the Company is acquired in a merger after such an acquisition, all Rights holders except the acquiring person will also be entitled to purchase stock in the buyer at a discount in accordance with the Rights Plan.

The distribution of Rights was made to Class A common shareholders of record at the close of business on October 27, 2000 and shares of Class A common stock that are newly-issued after that date (including shares of Class A common stock issued upon conversion of the outstanding Class B common stock) will also carry Rights until the Rights become detached from the Class A common stock. The Rights will expire at the close of business on October 13, 2010, unless earlier redeemed by the Company. The Rights distribution is not taxable to stockholders.

The Company has made loans to certain executive officers to purchase 1,022,393 shares of 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 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. The loan balances aggregated approximately \$18.7 million and \$11.1 million at December 31, 2000 and 1999, respectively and have been included as a reduction of additional paid in capital on the accompanying consolidated statement of stockholders' equity.

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, 2000, 1,500,000, 400,000, 3,000,000 and 3,000,000 of the Company's authorized 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:

|                                       |                        | EXERCISE PRICE RANGE |          |
|---------------------------------------|------------------------|----------------------|----------|
|                                       | OPTIONS<br>GRANTED (1) | FROM (1)             | TO (1)   |
| 1995 Employee Stock Option Plan ..... | 1,507,538              | \$ 12.04             | \$ 25.56 |
| 1996 Employee Stock Option Plan ..... | 252,100                | \$ 19.63             | \$ 26.13 |
| 1997 Employee Stock Option Plan ..... | 2,485,965              | \$ 22.67             | \$ 27.04 |
| 1998 Employee Stock Option Plan ..... | 2,152,501              | \$ 17.75             | \$ 25.67 |

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|             |           |
|-------------|-----------|
| Total ..... | 6,398,104 |
|             | =====     |

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

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

7. STOCKHOLDERS' EQUITY - (CONTINUED)

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 141,000 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 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 2000 and 1999, employees exercised 280,087 and 88,308 options, respectively resulting in proceeds to the Company of approximately \$4.2 million and \$1.2 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 2000, 1999 and 1998, respectively: risk-free interest rate of 5%; dividend yields of 6.69%, 7.47% and 6.45%; volatility factors of the expected market price of the Company's Class A common stock of .206 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.

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

|  |       |       |       |
|--|-------|-------|-------|
|  | 2000  | 1999  | 1998  |
|  | ----- | ----- | ----- |

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|  |           |           |           |
|--|-----------|-----------|-----------|
| Pro Forma net income (in thousands) .....  | \$ 62,671 | \$ 46,744 | \$ 32,846 |
|  | -----     | -----     | -----     |
| Basic pro forma earnings per share .....   | \$ 1.46   | \$ 1.16   | \$ .83    |
|  | -----     | -----     | -----     |
| Diluted pro forma earnings per share ..... | \$ 1.44   | \$ 1.15   | \$ .82    |
|  | -----     | -----     | -----     |

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

|  | OPTIONS   | WEIGHTED-AVERAGE<br>EXERCISE PRICE |
|--|-----------|------------------------------------|
|  | -----     | -----                              |
| Outstanding -- January 1, 1998 .....   | 2,407,766 | \$ 20.16                           |
| Granted .....                          | 2,431,132 | \$ 24.03                           |
| Exercised .....                        | (74,837)  | \$ 14.76                           |
| Forfeited .....                        | (30,417)  | \$ 25.44                           |
|  | -----     |                                    |
| Outstanding -- December 31, 1998 ..... | 4,733,644 | \$ 22.22                           |
| Granted .....                          | 619,217   | \$ 20.82                           |
| Exercised .....                        | (88,308)  | \$ 13.99                           |
| Forfeited .....                        | (90,632)  | \$ 23.44                           |
|  | -----     |                                    |

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

7. STOCKHOLDERS' EQUITY - (CONTINUED)

|                                       | OPTIONS   | WEIGHTED-AVERAGE<br>EXERCISE PRICE |
|---------------------------------------|-----------|------------------------------------|
|                                       | -----     | -----                              |
| Outstanding - December 31, 1999 ..... | 5,173,921 | \$ 22.17                           |
| Granted .....                         | 739,750   | \$ 22.86                           |
| Exercised .....                       | (280,087) | \$ 13.00                           |
| Forfeited .....                       | (145,000) | \$ 22.50                           |
|                                       | -----     |                                    |
| Outstanding - December 31, 2000 ..... | 5,488,584 | \$ 22.70                           |
|                                       | -----     |                                    |

The weighted average fair value of options granted for the years ended December 31, 1998, 1999 and 2000 was \$2.06, \$2.10 and 2.15, respectively. In addition, there were 4,527,144 options at a weighted average per share exercise price of \$22.22, 5,137,588 options at a weighted average per share exercise price of \$22.17 and 4,498,828 options at a weighted average per share exercise price of \$22.70 exercisable at December 31, 1998, 1999 and 2000, respectively.

Exercise prices for options outstanding as of December 31, 2000 ranged

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from \$12.04 per share to \$27.04 per share. The weighted-average remaining contractual life of those options is approximately 7.61 years.

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 as required by Statement 128 for the years ended December 31 (in thousands except for earnings per share data):

|  | 2000       | 1999      |
|--|------------|-----------|
| <b>Numerator:</b>  |            |           |
| Income before extraordinary loss, dividends to preferred shareholders and income allocated to Class B shareholders ..... | \$ 112,797 | \$ 85,199 |
| Dividends to preferred shareholders .....  | (25,371)   | (24,360)  |
| Extraordinary loss (net of share applicable to limited partners and Class B common shareholders) .....                   | (1,032)    | (38,000)  |
| Income allocated to Class B common shareholders .....  | (23,405)   | (12,910)  |
|  | -----      | -----     |
| Numerator for basic and diluted earnings per share .....   | \$ 62,989  | \$ 47,529 |
|  | =====      | =====     |
| <b>Denominator:</b>  |            |           |
| Denominator for basic earnings per share- weighted average Class A common shares .....                                   | 43,070     | 40,270    |
| Effect of dilutive securities:   |            |           |
| Employee stock options .....   | 475        | 400       |
|  | -----      | -----     |
| Denominator for diluted earnings per Class A common share-adjusted weighted average shares and assumed conversions ..... | 43,545     | 40,670    |
|  | =====      | =====     |
| <b>Basic earnings per Class A common share:</b>  |            |           |
| Income before extraordinary loss .....   | \$ 1.49    | \$ 1.11   |
| Extraordinary loss .....   | ( .03)     | ( .00)    |
|  | -----      | -----     |
| Net income per Class A common share .....  | \$ 1.46    | \$ 1.11   |
|  | =====      | =====     |
| <b>Diluted earnings per Class A common share:</b>  |            |           |
| Income before extraordinary loss .....   | \$ 1.47    | \$ 1.11   |
| Extraordinary loss .....   | ( .02)     | ( .00)    |
|  | -----      | -----     |
| Diluted net income per Class A common share .....  | \$ 1.45    | \$ 1.11   |
|  | =====      | =====     |

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RECKSON ASSOCIATES REALTY CORP.  
NOTES TO 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 earnings 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):

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|   | 2000       | 1999      |
|---|------------|-----------|
|   | -----      | -----     |
| Numerator:  |            |           |
| Income before extraordinary loss, dividends to preferred shareholders and income allocated to Class A common shareholders ..... | \$ 112,797 | \$ 85,192 |
| Dividends to preferred shareholders .....   | (25,371)   | (24,360)  |
| Extraordinary loss (net of share applicable to limited partners and Class A common shareholders) .....                          | (364)      | (166)     |
| Income allocated to Class A common shareholders .....   | (64,021)   | (47,918)  |
|   | -----      | -----     |
| Numerator for basic earnings per share .....  | 23,041     | 12,748    |
| Add back:   |            |           |
| Net income allocated to Class A common shareholders .....   | 62,989     | 47,529    |
| Limited partners' minority interest in the operating partnership .....  | 11,669     | 9,407     |
|   | -----      | -----     |
| Numerator for diluted earnings per share .....  | \$ 97,699  | \$ 69,684 |
|   | =====      | =====     |
| Denominator:  |            |           |
| Denominator for basic earnings per share- weighted average Class B common shares .....  | 10,284     | 6,744     |
| Effect of dilutive securities:  |            |           |
| Weighted average Class A common shares outstanding .....  | 43,070     | 40,270    |
| Weighted average OP Units outstanding .....   | 7,696      | 7,705     |
| Employee stock options .....  | 475        | 406       |
|   | -----      | -----     |
| Denominator for diluted earnings per Class B common share-adjusted weighted average shares and assumed conversions .....        | 61,525     | 55,125    |
|   | =====      | =====     |
| Basic earnings per Class B common share:  |            |           |
| Income before extraordinary loss .....  | \$ 2.28    | \$ 1.91   |
| Extraordinary loss .....  | ( .04)     | ( .02)    |
|   | -----      | -----     |
| Net income per Class B common share .....   | \$ 2.24    | \$ 1.89   |
|   | =====      | =====     |
| Diluted earnings per Class B common share:  |            |           |
| Income before extraordinary loss .....  | \$ 1.62    | \$ 1.27   |
| Extraordinary loss .....  | ( .03)     | ( .01)    |
|   | -----      | -----     |
| Diluted net income per Class B common share .....   | \$ 1.59    | \$ 1.26   |
|   | =====      | =====     |

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 FINANCIAL STATEMENTS - (CONTINUED )

8. RELATED PARTY TRANSACTIONS

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

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, 2000 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 accrues interest annually at the rate of 12%, has a five year maturity and is prepayable in whole or in part. During October 1999, RCG made a payment to the Company, in the form of 97 shares of its preferred stock, valued at approximately \$4.0 million, towards accrued interest and principal due under the note.

The Operating Partnership and FrontLine Capital Group ("FrontLine") have entered into an intercompany agreement (the "Reckson Intercompany Agreement") to formalize their relationship and to limit conflicts of interest. Under the Reckson Intercompany Agreement, FrontLine granted the Operating Partnership a right of first opportunity to make any REIT-qualified investment that becomes available to FrontLine. In addition, if a REIT-qualified investment opportunity becomes available to an affiliate of FrontLine, including Reckson Strategic Venture Partners, LLC ("RSVP"), the Reckson Intercompany Agreement requires such affiliate to allow the Operating Partnership to participate in such opportunity to the extent of FrontLine's interest.

Under the Reckson Intercompany Agreement, the Operating Partnership granted FrontLine a right of first opportunity to provide commercial services to the Operating Partnership and its tenants. FrontLine will provide services to the Operating Partnership at rates and on terms as attractive as either the best available for comparable services in the market or those offered by FrontLine to third parties. In addition, the Operating Partnership will give FrontLine access to its tenants with respect to commercial services that may be provided to such tenants and, under the Reckson Intercompany Agreement, subject to certain conditions, the Operating Partnership granted FrontLine a right of first refusal to 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.

### RSVP-Controlled REIT-Qualified Joint Venture Investments

On August 27, 1998 the Company announced the formation of a joint venture with RSVP and the Dominion Group, an Oklahoma-based, privately-owned group of companies that focuses on the development, acquisition and ownership of government occupied office buildings and correctional facilities. The new venture, Dominion Properties LLC (the "Dominion Venture"), is owned by Dominion Venture Group LLC, and by a subsidiary of the Company. The Dominion Venture is primarily engaged in acquiring, developing and/or owning government-occupied office buildings and privately operated correctional facilities. Under the Dominion Venture's operating agreement, RSVP may invest up to \$100 million, some of which may be invested by the Company (the "RSVP Capital"). The initial contribution of RSVP Capital was approximately \$39 million of which approximately \$10.1 million was invested by a subsidiary of the Company. The Company's investment was funded through the RSVP Commitment. In addition, the

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Company advanced approximately \$3.3 million to FrontLine through the RSVP Commitment for an investment in RSVP which was then invested on a joint venture basis with the Dominion Group in certain service business activities

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

#### 8. RELATED PARTY TRANSACTIONS - (CONTINUED)

related to the real estate activities. As of December 31, 2000, the Company had invested, through the RSVP Commitment, approximately \$20.6 million in the Dominion Venture which had investments in 13 government office buildings and three correctional facilities.

As of December 31, 2000, the Company has invested approximately \$11.1 million, through a subsidiary, in RAP Student Housing Properties, LLC ("RAP -- SHP"), a company that engages primarily in the acquisition and development of off-campus student housing projects. The Company's investment was funded through the RSVP Commitment. In addition, the Company has advanced approximately \$3.5 million to FrontLine through the RSVP Commitment for an investment in RSVP which was then invested in certain service business activities related to student housing. As of December 31, 2000, RAP -- SHP had investments in seven off -- campus student housing projects. Additionally, during 2000, RAP-SHP entered into an off -- campus development joint venture with Titan Investments II, a third party national developer. The purpose of the venture is to develop or reposition off -- campus student housing projects across the United States.

As of December 31, 2000, the Company has invested approximately \$3.4 million, through a subsidiary, in RAP MD, LLC ("RAP -- MD"), a company that engages primarily in the acquisition, ownership, management and development of medical office properties. The Company's investment was funded through the RSVP Commitment. As of December 31, 2000, RAP -- MD had investments in eight medical office properties.

#### 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, 2000 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 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. In addition, management believes that the estimated aggregate fair value of these assets and liabilities approximates their carrying values.

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.

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### 10. RENTAL INCOME

The 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.

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

### 10. RENTAL INCOME - (CONTINUED)

Expected future minimum rents to be received over the next five years and thereafter from leases in effect at December 31, 2000 are as follows (in thousands):

|                  |    |              |
|------------------|----|--------------|
| 2001 .....       | \$ | 378,057      |
| 2002 .....       |    | 380,665      |
| 2003 .....       |    | 355,064      |
| 2004 .....       |    | 324,183      |
| 2005 .....       |    | 278,782      |
| Thereafter ..... |    | 1,465,457    |
|                  |    | -----        |
|                  |    | \$ 3,182,208 |
|                  |    | =====        |

### 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, certain industrial joint venture properties formerly owned by RMI and for the period commencing January 6, 1998 and ending September 26, 1999, industrial properties which were owned by RMI and subsequently sold to KTR. The Company has managing directors who report directly to the Chief Operating Officer 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.

In addition, the Company does not consider (i) interest incurred on its Credit Facility, term loan and Senior Unsecured Notes, (ii) the operating performance of the office property located in Orlando, Florida and (iii) commencing January 1, 2000, the operating performance of the industrial joint venture properties formerly owned by RMI 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.

The following tables set forth the components of the Company's revenues and expenses and other related disclosures, as required by Statement 131, for



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the years ended December 31 (in thousands):

|   | 2000                |                   |                        |
|---|---------------------|-------------------|------------------------|
|   | CORE<br>PORTFOLIO   | OTHER             | CONSOLIDATED<br>TOTALS |
| <b>REVENUES:</b>  |                     |                   |                        |
| Base rents, tenant escalations and reimbursements .....   | \$ 442,326          | \$ 9,751          | \$ 452,077             |
| Equity in earnings of real estate joint ventures and service companies .....                                | ---                 | 4,383             | 4,383                  |
| Other income .....  | 1,212               | 52,266            | 53,478                 |
| <b>Total Revenues .....</b>   | <b>443,538</b>      | <b>66,400</b>     | <b>509,938</b>         |
| <b>EXPENSES:</b>  |                     |                   |                        |
| Property expenses .....   | 154,930             | 2,526             | 157,456                |
| Marketing, general and administrative .....   | 20,606              | 6,765             | 27,371                 |
| Interest .....  | 40,465              | 55,872            | 96,337                 |
| Depreciation and amortization .....   | 84,401              | 8,146             | 92,547                 |
| <b>Total Expenses .....</b>   | <b>300,402</b>      | <b>73,309</b>     | <b>373,711</b>         |
| Income (loss) before preferred dividends and distributions, minority interests and extraordinary loss ..... | \$ 143,136          | \$ (6,909)        | \$ 136,227             |
| <b>Total assets .....</b>   | <b>\$ 2,428,500</b> | <b>\$ 569,530</b> | <b>\$ 2,998,030</b>    |

|  | 1999              |               |               |                        |
|--|-------------------|---------------|---------------|------------------------|
|  | CORE<br>PORTFOLIO | RMI           | OTHER         | CONSOLIDATED<br>TOTALS |
| <b>REVENUES:</b>   |                   |               |               |                        |
| Base rents, tenant escalations and reimbursements .....                      | \$ 340,293        | \$15,394      | \$ 13,448     | \$ 369,135             |
| Equity in earnings of real estate joint ventures and service companies ..... | --                | --            | 2,148         | 2,148                  |
| Other income .....   | 448               | 9             | 31,413        | 31,870                 |
| <b>Total Revenues .....</b>  | <b>340,741</b>    | <b>15,403</b> | <b>47,009</b> | <b>403,153</b>         |
| <b>EXPENSES:</b>   |                   |               |               |                        |
| Property expenses .....  | 119,270           | 2,406         | 4,318         | 125,994                |
| Marketing, general and administrative .....                                  | 16,981            | 548           | 6,764         | 24,293                 |
| Interest .....   | 25,167            | 445           | 48,708        | 74,320                 |
| Depreciation and amortization .....  | 64,097            | 3,663         | 6,744         | 74,504                 |
| <b>Total Expenses .....</b>  | <b>225,515</b>    | <b>7,062</b>  | <b>66,534</b> | <b>299,111</b>         |
| Income (loss) before preferred   |                   |               |               |                        |

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|  |              |          |             |              |
|--|--------------|----------|-------------|--------------|
| dividends and distributions,<br>minority interests and extraordinary<br>loss ..... | \$ 115,226   | \$ 8,341 | \$ (19,525) | \$ 104,042   |
|  | =====        | =====    | =====       | =====        |
| Total assets .....   | \$ 2,142,696 | \$ 0     | \$ 591,182  | \$ 2,733,878 |
|  | =====        | =====    | =====       | =====        |

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

### 12. NON-CASH INVESTING AND FINANCING ACTIVITIES

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

On May 24, 1999, in conjunction with the Tower Portfolio acquisition, the Company issued 11,694,567 shares of Class B common stock which were valued for GAAP purposes at approximately \$304.1 million and assumed approximately \$133.4 million of indebtedness for a total non cash investment of approximately \$437.5 million.

During June 1999, in connection with the sale of an office property, the Company obtained a \$1.2 million purchase money mortgage as partial consideration for the sale.

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. During October 1999, the Company accepted 97 shares of preferred stock of RCG as payment of \$4.0 million of principal and interest due under the note.

During September 1999, in connection with the Matrix Sale and the first stage closing of RMI, the Company received as partial consideration for the sale \$41.5 million of common and preferred stock of KTR and approximately \$10.1 million in purchase money mortgages from Matrix. In addition, the Company was also relieved of approximately \$26.7 million of secured indebtedness.

During November 1999, the Company received approximately \$3.6 million of common stock of FrontLine as consideration for amending the FrontLine Facility and the RSVP Commitment. In May 2000, the Company contributed the common stock it received from FrontLine to RMG in exchange for 50 shares of non voting preferred stock, 97 shares of 8% preferred stock and a \$1.4 million note.

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 OTHER COMMENTS

The Company has entered into employment agreements with its chairman and five executive officers. The agreements are for five years and expire on May 31, 2003.

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. During 2000 and 1999 the Company made no contributions.

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The Company had outstanding undrawn letters of credit against its Credit Facility of approximately \$51.3 million and \$52.3 million at December 31, 2000 and 1999, respectively.

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

14. QUARTERLY FINANCIAL DATA (Unaudited)

The following summary represents the Company's results of operations for each fiscal quarter during 2000 and 1999 (in thousands, except share amounts):

|  | 2000          |                |               |
|--|---------------|----------------|---------------|
|  | FIRST QUARTER | SECOND QUARTER | THIRD QUARTER |
| 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 available to common shareholders .....  | \$ 15,842     | \$ 22,971      | \$ 29,000     |
| Net income available 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 before extraordinary loss:                        |               |                |               |
| Class A common shareholders .....  | \$ .28        | \$ .40         | \$ .40        |
| Extraordinary loss per Class A common share .....  | --            | --             | ( .01)        |
| Basic net income per weighted average Class A common share .....                                     | \$ .28        | \$ .40         | \$ .39        |
| Class B common shareholders .....  | \$ .43        | \$ .61         | \$ .61        |
| Extraordinary loss per Class B common share .....  | --            | --             | ( .01)        |
| Basic net income per weighted average Class B common share .....                                     | \$ .43        | \$ .61         | \$ .60        |
| Weighted average common shares outstanding:  |               |                |               |
| Class A common shareholders .....  | 40,382,182    | 41,343,118     | 45,178,000    |

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|  |            |            |         |
|--|------------|------------|---------|
| Class B common shareholders .....                        | 10,283,598 | 10,283,513 | 10,283, |
| Diluted net income per weighted average<br>common share: |            |            |         |
| Class A common shareholders .....                        | \$ .28     | \$ .40     | \$      |
| Class B common shareholders .....                        | \$ .31     | \$ .44     | \$      |
| Diluted weighted average common<br>shares outstanding:   |            |            |         |
| Class A common shareholders .....                        | 40,709,045 | 41,700,478 | 49,818, |
| Class B common shareholders .....                        | 10,283,598 | 10,283,513 | 10,283, |

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

14. QUARTERLY FINANCIAL DATA (Unaudited) - (CONTINUED)

|  | 1999          |                |               |
|--|---------------|----------------|---------------|
|  | FIRST QUARTER | SECOND QUARTER | THIRD QUARTER |
| Total revenues .....   | \$ 76,108     | \$ 91,239      | \$ 125,000    |
| Income before preferred dividends and<br>distributions, minority interests and<br>extraordinary loss ..... | \$ 19,774     | \$ 20,626      | \$ 35,000     |
| Preferred dividends and distributions .....  | (5,041)       | (5,989)        | (7,000)       |
| Minority interests .....   | (3,409)       | (3,442)        | (5,000)       |
| Extraordinary loss .....   | --            | --             | (1,000)       |
| Net income available to common<br>shareholders .....   | \$ 11,324     | \$ 11,195      | \$ 21,000     |
| Net income available to:   |               |                |               |
| Class A Common shareholders .....  | \$ 11,324     | \$ 9,464       | \$ 15,000     |
| Class B common shareholders .....  | --            | 1,731          | 6,000         |
| Total .....  | \$ 11,324     | \$ 11,195      | \$ 21,000     |
| Basic net income per weighted average<br>common share before extraordinary<br>loss:                        |               |                |               |
| Class A common shareholders .....  | \$ .28        | \$ .23         | \$ .23        |
| Extraordinary loss per Class A<br>common share .....   | --            | --             | (1,000)       |
| Basic net income per weighted average<br>Class A common share .....  | \$ .28        | \$ .23         | \$ .23        |
| Class B common shareholders .....  | \$ --         | \$ .35         | \$ .35        |
| Extraordinary loss per Class B<br>common share .....   | --            | --             | (1,000)       |
| Basic net income per weighted average<br>Class B common share .....  | \$ --         | \$ .35         | \$ .35        |

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|   |            |            |         |
|---|------------|------------|---------|
| Weighted average common shares          |            |            |         |
| outstanding:                            |            |            |         |
| Class A common shareholders .....       | 40,049,079 | 40,284,511 | 40,367, |
| Class B common shareholders .....       | --         | 4,883,446  | 11,456, |
| Diluted net income per weighted average |            |            |         |
| common share:                           |            |            |         |
| Class A common shareholders .....       | \$ .28     | \$ .23     | \$      |
| Class B common shareholders .....       | \$ --      | \$ .24     | \$      |
| Diluted weighted average common         |            |            |         |
| shares outstanding:                     |            |            |         |
| Class A common shareholders .....       | 40,450,296 | 40,704,147 | 40,796, |
| Class B common shareholders .....       | --         | 4,883,446  | 11,456, |

### 15. PRO FORMA RESULTS (unaudited)

The following unaudited pro forma operating results of the Company for the year ended December 31, 2000 have been prepared as if the property acquisitions and dispositions made during 2000 had occurred on January 1, 2000. Unaudited pro forma financial information is presented for

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

### 15. PRO FORMA RESULTS (unaudited) - (CONTINUED)

informational purposes only and may not be indicative of what the actual results of operations of the Company would have been had the events occurred as of January 1, 2000, nor does it purport to represent the results of operations for future periods (in thousands except per share data):

|  |            |
|--|------------|
| Total Revenues .....   | \$ 508,401 |
|  | =====      |
| Income before preferred dividends and distributions, minority interests and extraordinary loss ..... | \$ 133,403 |
|  | =====      |
| Net income available to Class A common shareholders .....  | \$ 53,569  |
|  | =====      |
| Net income per Class A common share .....  | \$ 1.24    |
|  | =====      |
| Net income available to Class B common shareholders .....  | \$ 19,813  |
|  | =====      |
| Net income per Class B common share .....  | \$ 1.93    |
|  | =====      |

### 16. OTHER INVESTMENTS AND ADVANCES

During 1997, the Company formed FrontLine (formerly Reckson Service Industries, Inc.) and RSVP. In connection with the formation of FrontLine, the Operating Partnership established a 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 December 31, 2000, the Company had advanced approximately \$93.4 million under

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the FrontLine Facility. In addition, the Operating Partnership approved the funding of investments of up to \$100 million with or in RSVP (the "RSVP Commitment"), through RSVP-controlled joint ventures (for REIT-qualified investments) or advances made to FrontLine under terms similar to the FrontLine Facility. As of December 31, 2000, approximately \$83.2 million had been funded through the RSVP Commitment, of which \$41.1 million represents investments in RSVP-controlled (REIT-qualified) joint ventures and \$42.1 million represents advances.

In March 2001, the Company increased the RSVP Commitment to \$110 million and advanced approximately \$24 million under the RSVP Commitment to fund additional RSVP-controlled (REIT-qualified) joint ventures (unaudited).

In addition, as of December 31, 2000, the Company, through its Credit Facility, has allocated approximately \$3.2 million in outstanding undrawn letters of credit for the benefit of FrontLine. Both the FrontLine Facility and the RSVP Commitment have a term of five years 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. Prior to maturity, interest is payable quarterly but only to the extent of net cash flow of FrontLine and on an interest-only basis. As of December 31, 2000, interest accrued under the FrontLine Facility and RSVP Commitment was approximately \$13.8 million.

During November 1999, the Board of Directors of the Company approved an amendment to the FrontLine Facility and the RSVP Commitment to permit FrontLine to incur secured debt and to pay interest thereon and to issue preferred stock and to pay dividends thereon. In consideration of the amendments, FrontLine paid the Operating Partnership a fee of approximately \$3.6 million in the form of shares of FrontLine common stock. Such fee has been recognized in income over an estimated nine month benefit period.

FrontLine currently has two distinct operating units: one of which represents its interest in HQ Global Holdings, Inc., the largest provider of flexible officing solutions in the world, and the other which represents interests in technology based partner companies. RSVP 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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RECKSON ASSOCIATES REALTY CORP.  
 SCHEDULE III -- REAL ESTATE AND ACCUMULATED DEPRECIATION  
 DECEMBER 31, 2000  
 (IN THOUSANDS)

| COLUMN A    | COLUMN B    | COLUMN C     |                            |      |
|-------------|-------------|--------------|----------------------------|------|
| DESCRIPTION | ENCUMBRANCE | LAND         | BUILDINGS AND IMPROVEMENTS | LAND |
|             |             | INITIAL COST |                            |      |
|             |             |              |                            | COST |
|             |             |              |                            | SU   |
|             |             |              |                            | A    |

Vanderbilt Industrial Park,

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|  |           |          |          |    |
|--|-----------|----------|----------|----|
| Hauppauge, New York<br>(27 buildings in an industrial park)  | --        | \$ 1,940 | \$ 9,955 | -- |
| 85 Nikon Court<br>Hauppauge, New York .....  | --        | 797      | 2,818    | -- |
| 104 Parkway Drive So.,<br>Hauppauge, New York .....  | --        | 54       | 804      | -- |
| 125 Ricefield Lane<br>Hauppauge, New York .....  | --        | 13       | 852      | -- |
| 110 Ricefield Lane<br>Hauppauge, New York .....  | --        | 33       | 1,043    | 1  |
| 120 Ricefield Lane<br>Hauppauge, New York .....  | --        | 16       | 1,051    | -- |
| 135 Ricefield Lane<br>Hauppauge, New York .....  | --        | 24       | 906      | -- |
| 1997 Portfolio Acquisition,<br>Hauppauge, New York<br>(10 additional buildings in<br>Vanderbilt Industrial Park) ..... | --        | 930 (B)  | 20,619   | 1  |
| 425 Rabro Drive<br>Hauppauge, New York .....   | --        | 665      | 3,489    | -- |
| 600 Old Willets Path<br>Hauppauge, New York .....  | --        | 295      | 3,521    | -- |
| Airport International Plaza,<br>Islip, New York<br>(17 buildings in an industrial park).....                           | 2,616 (C) | 1,263    | 13,608   | -- |
| 120 Wilbur Place<br>Islip, New York .....  | --        | 202      | 1,154    | 8  |
| 2004 Orville Drive North<br>Islip, New York .....  | --        | 633      | 4,226    | -- |
| 2005 Orville Drive North<br>Islip, New York .....  | --        | 984      | 5,410    | -- |
| County Line Industrial Center,<br>Melville, New York<br>(3 buildings in an industrial park) .....                      | --        | 628      | 3,686    | -- |
| 30 Hub Drive<br>Melville, New York .....   | --        | 469      | 1,571    | -- |
| 32 Windsor Place,<br>Islip, New York .....   | --        | 32       | 321      | -- |

| COLUMN A   | COLUMN E  |                               |        | COLUMN F                    | COL         |
|--|---|-------------------------------|--------|-----------------------------|-------------|
| DESCRIPTION  | GROSS AMOUNT AT WHICH<br>CARRIED AT CLOSE OF PERIOD |                               |        | ACCUMULATED<br>DEPRECIATION | DA<br>CONST |
| DESCRIPTION  | LAND  | BUILDINGS AND<br>IMPROVEMENTS | TOTAL  | ACCUMULATED<br>DEPRECIATION | DA<br>CONST |
| Vanderbilt Industrial Park,<br>Hauppauge, New York<br>(27 buildings in an industrial park) | 1,940   | 20,563                        | 22,503 | 14,499                      | 196         |
| 85 Nikon Court<br>Hauppauge, New York .....  | 797   | 2,882                         | 3,679  | 480                         |             |
| 104 Parkway Drive So.,<br>Hauppauge, New York .....  | 54  | 1,004                         | 1,058  | 161                         |             |
| 125 Ricefield Lane<br>Hauppauge, New York .....  | 13  | 1,182                         | 1,195  | 296                         |             |
| 110 Ricefield Lane   |   |                               |        |                             |             |

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|   |       |        |        |        |     |
|---|-------|--------|--------|--------|-----|
| Hauppauge, New York<br>120 Ricefield Lane   | 34    | 1,100  | 1,134  | 191    |     |
| Hauppauge, New York<br>135 Ricefield Lane   | 16    | 1,243  | 1,259  | 168    |     |
| Hauppauge, New York<br>1997 Portfolio Acquisition,<br>Hauppauge, New York<br>(10 additional buildings in<br>Vanderbilt Industrial Park) | 24    | 1,379  | 1,403  | 367    |     |
| 425 Rabro Drive   | 931   | 23,688 | 24,619 | 3,445  | 197 |
| Hauppauge, New York<br>600 Old Willets Path   | 665   | 3,560  | 4,225  | 433    |     |
| Hauppauge, New York<br>Airport International Plaza,<br>Islip, New York<br>(17 buildings in an industrial park)                          | 1,263 | 24,663 | 25,926 | 15,729 | 197 |
| 120 Wilbur Place  |       |        |        |        |     |
| Islip, New York<br>2004 Orville Drive North   | 210   | 1,271  | 1,481  | 116    |     |
| Islip, New York<br>2005 Orville Drive North   | 633   | 5,639  | 6,272  | 921    |     |
| Islip, New York<br>County Line Industrial Center,<br>Melville, New York<br>(3 buildings in an industrial park)                          | 984   | 6,394  | 7,378  | 387    |     |
| 30 Hub Drive  | 628   | 6,509  | 7,137  | 4,636  | 197 |
| Melville, New York<br>32 Windsor Place,<br>Islip, New York  | 469   | 1,883  | 2,352  | 358    |     |
|   | 32    | 367    | 399    | 357    |     |

| COLUMN A   | COLUMN I                                     |
|--|--|
| DESCRIPTION  | LIFE ON WHICH<br>DEPRECIATION<br>IS COMPUTED |
| Vanderbilt Industrial Park,<br>Hauppauge, New York<br>(27 buildings in an industrial park)                       | 10 - 30 Years                                |
| 85 Nikon Court<br>Hauppauge, New York  | 10 - 30 Years                                |
| 104 Parkway Drive So.,<br>Hauppauge, New York  | 10 - 30 Years                                |
| 125 Ricefield Lane<br>Hauppauge, New York  | 10 - 30 Years                                |
| 110 Ricefield Lane<br>Hauppauge, New York  | 10 - 30 Years                                |
| 120 Ricefield Lane<br>Hauppauge, New York  | 10 - 30 Years                                |
| 135 Ricefield Lane<br>Hauppauge, New York  | 10 - 30 Years                                |
| 1997 Portfolio Acquisition,<br>Hauppauge, New York<br>(10 additional buildings in<br>Vanderbilt Industrial Park) | 10 - 30 Years                                |
| 425 Rabro Drive<br>Hauppauge, New York   | 10 - 30 Years                                |
| 600 Old Willets Path<br>Hauppauge, New York  | 10 - 30 Years                                |
| Airport International Plaza,   |  |



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Islip, New York  
 (17 buildings in an industrial park)..... 10 - 30 Years  
 120 Wilbur Place  
 Islip, New York ..... 10 - 30 Years  
 2004 Orville Drive North  
 Islip, New York ..... 10 - 30 Years  
 2005 Orville Drive North  
 Islip, New York ..... 10 - 30 Years  
 County Line Industrial Center,  
 Melville, New York  
 (3 buildings in an industrial park) ..... 10 - 30 Years  
 30 Hub Drive  
 Melville, New York ..... 10 - 30 Years  
 32 Windsor Place,  
 Islip, New York ..... 10 - 30 Years

Continued

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RECKSON ASSOCIATES REALTY CORP.  
 SCHEDULE III -- REAL ESTATE AND ACCUMULATED DEPRECIATION  
 DECEMBER 31, 2000 (CONTINUED)  
 (IN THOUSANDS)

| COLUMN A<br>DESCRIPTION                                      | COLUMN B<br>ENCUMBRANCE | COLUMN C<br>INITIAL COST |                               | COLUMN D<br>COST CAPITALIZED,<br>SUBSEQUENT TO<br>ACQUISITION |                               |
|--|-------------------------|--------------------------|-------------------------------|---|-------------------------------|
|  |                         | LAND                     | BUILDINGS AND<br>IMPROVEMENTS | LAND  | BUILDINGS AND<br>IMPROVEMENTS |
| 42 Windsor Place<br>Islip, New York .....                    | --                      | 48                       | 327                           | --  | 548                           |
| 505 Walt Whitman Rd.,<br>Huntington, New York .....          | --                      | 140                      | 42                            | --  | 59                            |
| 1170 Northern Blvd.,<br>N. Great Neck, New York .....        | --                      | 30                       | 99                            | --  | 34                            |
| 50 Charles Lindbergh Blvd.,<br>Mitchel Field, New York ..... | 15,479                  | A                        | 12,089                        | --  | 5,361                         |
| 200 Broadhollow Road<br>Melville, New York .....             | 6,494                   | 338                      | 3,354                         | --  | 3,430                         |
| 48 South Service Road<br>Melville, New York .....            | --                      | 1,652                    | 10,245                        | --  | 5,108                         |
| 395 North Service Road<br>Melville, New York .....           | 20,525                  | A                        | 15,551                        | --  | 7,298                         |
| 6800 Jericho Turnpike<br>Syosset, New York .....             | 14,324                  | 582                      | 6,566                         | --  | 9,357                         |
| 6900 Jericho Turnpike<br>Syosset, New York .....             | 7,560                   | 385                      | 4,228                         | --  | 3,572                         |
| 300 Motor Parkway<br>Hauppauge, New York .....               | --                      | 276                      | 1,136                         | --  | 1,665                         |
| 88 Duryea Road<br>Melville, New York .....                   | --                      | 200                      | 1,565                         | --  | 748                           |
| 210 Blydenburgh Road   |                         |                          |                               |   |                               |

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|                                    |        |     |        |    |        |
|------------------------------------|--------|-----|--------|----|--------|
| Islandia, New York .....           | --     | 11  | 158    | -- | 156    |
| 208 Blydenburgh Road               |        |     |        |    |        |
| Islandia, New York .....           | --     | 12  | 192    | -- | 147    |
| 71 Hoffman Lane                    |        |     |        |    |        |
| Islandia, New York .....           | --     | 19  | 260    | -- | 172    |
| 933 Motor Parkway                  |        |     |        |    |        |
| Hauppauge, New York .....          | --     | 106 | 375    | -- | 396    |
| 65 and 85 South Service Road       |        |     |        |    |        |
| Plainview, New York .....          | --     | 40  | 218    | -- | 17     |
| 333 Earl Ovington Blvd., (Omni)    |        |     |        |    |        |
| Mitchel Field, New York .....      | 55,641 | A   | 67,221 | -- | 19,025 |
| 135 Fell Court                     |        |     |        |    |        |
| Islip, New York .....              | --     | 462 | 1,265  | -- | 261    |
| 40 Cragwood Road                   |        |     |        |    |        |
| South Plainfield, New Jersey ..... | --     | 725 | 7,131  | -- | 5,873  |
| 110 Marcus Drive                   |        |     |        |    |        |
| Huntington, New York .....         | --     | 390 | 1,499  | -- | 107    |

| COLUMN A                      | COLUMN E  |                               |        | COLUMN F                    | COLUMN G                |
|-------------------------------|---|-------------------------------|--------|-----------------------------|-------------------------|
|                               | GROSS AMOUNT AT WHICH<br>CARRIED AT CLOSE OF PERIOD |                               |        |                             |                         |
| DESCRIPTION                   | LAND  | BUILDINGS AND<br>IMPROVEMENTS | TOTAL  | ACCUMULATED<br>DEPRECIATION | DATE OF<br>CONSTRUCTION |
| 42 Windsor Place              |   |                               |        |                             |                         |
| Islip, New York .....         | 48  | 875                           | 923    | 768                         | 1972                    |
| 505 Walt Whitman Rd.,         |   |                               |        |                             |                         |
| Huntington, New York .....    | 140   | 101                           | 241    | 85                          | 1950                    |
| 1170 Northern Blvd.,          |   |                               |        |                             |                         |
| N. Great Neck, New York ..... | 30  | 133                           | 163    | 130                         | 1947                    |
| 50 Charles Lindbergh Blvd.,   |   |                               |        |                             |                         |
| Mitchel Field, New York ..... | --  | 17,450                        | 17,450 | 9,985                       | 1984                    |
| 200 Broadhollow Road          |   |                               |        |                             |                         |
| Melville, New York .....      | 338   | 6,784                         | 7,122  | 4,087                       | 1981                    |
| 48 South Service Road         |   |                               |        |                             |                         |
| Melville, New York .....      | 1,652   | 15,353                        | 17,005 | 7,957                       | 1986                    |
| 395 North Service Road        |   |                               |        |                             |                         |
| Melville, New York .....      | --  | 22,849                        | 22,849 | 11,974                      | 1988                    |
| 6800 Jericho Turnpike         |   |                               |        |                             |                         |
| Syosset, New York .....       | 582   | 15,923                        | 16,505 | 9,443                       | 1977                    |
| 6900 Jericho Turnpike         |   |                               |        |                             |                         |
| Syosset, New York .....       | 385   | 7,800                         | 8,185  | 4,161                       | 1982                    |
| 300 Motor Parkway             |   |                               |        |                             |                         |
| Hauppauge, New York .....     | 276   | 2,801                         | 3,077  | 1,510                       | 1979                    |
| 88 Duryea Road                |   |                               |        |                             |                         |
| Melville, New York .....      | 200   | 2,313                         | 2,513  | 1,359                       | 1980                    |
| 210 Blydenburgh Road          |   |                               |        |                             |                         |
| Islandia, New York .....      | 11  | 314                           | 325    | 302                         | 1969                    |
| 208 Blydenburgh Road          |   |                               |        |                             |                         |
| Islandia, New York .....      | 12  | 339                           | 351    | 337                         | 1969                    |
| 71 Hoffman Lane               |   |                               |        |                             |                         |
| Islandia, New York .....      | 19  | 432                           | 451    | 431                         | 1970                    |
| 933 Motor Parkway             |   |                               |        |                             |                         |
| Hauppauge, New York .....     | 106   | 771                           | 877    | 627                         | 1973                    |

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|  |     |        |        |        |      |
|--|-----|--------|--------|--------|------|
| 65 and 85 South Service Road<br>Plainview, New York .....        | 40  | 235    | 275    | 226    | 1961 |
| 333 Earl Ovington Blvd., (Omni)<br>Mitchel Field, New York ..... | --  | 86,246 | 86,246 | 23,633 | 1990 |
| 135 Fell Court<br>Islip, New York .....                          | 462 | 1,526  | 1,988  | 381    | 1965 |
| 40 Cragwood Road<br>South Plainfield, New Jersey .....           | 725 | 13,004 | 13,729 | 7,381  | 1970 |
| 110 Marcus Drive<br>Huntington, New York .....                   | 390 | 1,606  | 1,996  | 1,230  | 1980 |

Continued

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RECKSON ASSOCIATES REALTY CORP.  
SCHEDULE III -- REAL ESTATE AND ACCUMULATED DEPRECIATION  
DECEMBER 31, 2000 (CONTINUED)  
(IN THOUSANDS)

| COLUMN A<br>-----<br>DESCRIPTION<br>-----               | COLUMN B<br>-----<br>ENCUMBRANCE<br>----- | COLUMN C<br>-----<br>INITIAL COST<br>----- |                               | COLUMN D<br>-----<br>COST CAPITALIZED,<br>SUBSEQUENT TO<br>ACQUISITION<br>----- |                               |
|---|---|--|-------------------------------|---|-------------------------------|
|   |   | LAND                                       | BUILDINGS AND<br>IMPROVEMENTS | LAND  | BUILDINGS AND<br>IMPROVEMENTS |
| 333 East Shore Road<br>Great Neck, New York .....       | --  | A  | 564                           | --  | 271                           |
| 310 East Shore Road<br>Great Neck, New York .....       | 2,322                                     | 485  | 2,009                         | --  | 1,610                         |
| 70 Schmitt Blvd.<br>Farmingdale, New York .....         | --  | 727  | 3,408                         | --  | 33                            |
| 19 Nicholas Drive<br>Yaphank, New York .....            | --  | 160  | 7,399                         | --  | 6,042                         |
| 1516 Motor Parkway<br>Hauppauge, New York .....         | --  | 603  | 6,722                         | --  | 271                           |
| 125 Baylis Road<br>Melville, New York .....             | --  | 1,601                                      | 8,626                         | --  | 2,026                         |
| 35 Pinelawn Road<br>Melville, New York .....            | --  | 999  | 7,073                         | --  | 2,165                         |
| 520 Broadhollow Road<br>Melville, New York .....        | --  | 457  | 5,572                         | --  | 1,669                         |
| 1660 Walt Whitman Road<br>Melville, New York .....      | --  | 370  | 5,072                         | --  | 463                           |
| 70 Maxess Road<br>Melville, New York .....              | --  | 367  | 1,859                         | 95  | 2,957                         |
| 20 Melville Park Rd.,<br>Melville, New York .....       | --  | 391  | 2,650                         | --  | 101                           |
| 105 Price Parkway<br>Farmingdale, New York .....        | --  | 2,030                                      | 6,327                         | --  | 469                           |
| 48 Harbor Park Drive<br>Port Washington, New York ..... | --  | 1,304                                      | 2,247                         | --  | 93                            |
| 60 Charles Lindbergh<br>Mitchel Field, New York .....   | --  | A  | 20,800                        | --  | 1,904                         |

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|   |    |       |       |    |       |   |
|---|----|-------|-------|----|-------|---|
| 155 White Plains Road,<br>Tarrytown, New York ..... | -- | 1,613 | 2,542 | -- | 921   | 1 |
| 235 Main Street<br>White Plains, New York .....     | -- | 933   | 5,375 | -- | 1,233 |   |
| 245 Main Street<br>White Plains, New York .....     | -- | 1,235 | 7,284 | 1  | 806   | 1 |
| 505 White Plains Road<br>Tarrytown, New York .....  | -- | 210   | 1,332 | -- | 271   |   |
| 555 White Plains Road<br>Tarrytown, New York .....  | -- | 712   | 4,133 | 51 | 4,517 |   |
| 560 White Plains Road<br>Tarrytown, New York .....  | -- | 1,521 | 8,756 | -- | 2,011 | 1 |

| DESCRIPTION   | COLUMN F<br>ACCUMULATED<br>DEPRECIATION | COLUMN G<br>DATE OF<br>CONSTRUCTION | COLUMN H<br>DATE<br>ACQUIRED | COLUMN I<br>LIFE ON WHICH<br>DEPRECIATION<br>IS COMPUTED |
|---|---|-------------------------------------|------------------------------|--|
| 333 East Shore Road<br>Great Neck, New York .....       | 582                                     | 1976                                | 1976                         | 10 - 30 Years  |
| 310 East Shore Road<br>Great Neck, New York .....       | 1,773                                   | 1981                                | 1981                         | 10 - 30 Years  |
| 70 Schmitt Blvd.<br>Farmingdale, New York .....         | 613                                     | 1965                                | 1995                         | 10 - 30 Years  |
| 19 Nicholas Drive<br>Yaphank, New York .....            | 1,623                                   | 1989                                | 1995                         | 10 - 30 Years  |
| 1516 Motor Parkway<br>Hauppauge, New York .....         | 1,245                                   | 1981                                | 1995                         | 10 - 30 Years  |
| 125 Baylis Road<br>Melville, New York .....             | 1,814                                   | 1980                                | 1995                         | 10 - 30 Years  |
| 35 Pinelawn Road<br>Melville, New York .....            | 1,939                                   | 1980                                | 1995                         | 10 - 30 Years  |
| 520 Broadhollow Road<br>Melville, New York .....        | 1,837                                   | 1978                                | 1995                         | 10 - 30 Years  |
| 1660 Walt Whitman Road<br>Melville, New York .....      | 992                                     | 1980                                | 1995                         | 10 - 30 Years  |
| 70 Maxess Road<br>Melville, New York .....              | 800                                     | 1967                                | 1995                         | 10 - 30 Years  |
| 20 Melville Park Rd.,<br>Melville, New York .....       | 420                                     | 1965                                | 1996                         | 10 - 30 Years  |
| 105 Price Parkway<br>Farmingdale, New York .....        | 1,140                                   | 1969                                | 1996                         | 10 - 30 Years  |
| 48 Harbor Park Drive<br>Port Washington, New York ..... | 391                                     | 1976                                | 1996                         | 10 - 30 Years  |
| 60 Charles Lindbergh<br>Mitchel Field, New York .....   | 3,945                                   | 1989                                | 1996                         | 10 - 30 Years  |
| 155 White Plains Road,<br>Tarrytown, New York .....     | 523                                     | 1963                                | 1996                         | 10 - 30 Years  |
| 235 Main Street<br>White Plains, New York .....         | 1,159                                   | 1974                                | 1996                         | 10 - 30 Years  |
| 245 Main Street<br>White Plains, New York .....         | 1,515                                   | 1983                                | 1996                         | 10 - 30 Years  |
| 505 White Plains Road<br>Tarrytown, New York .....      | 347                                     | 1974                                | 1996                         | 10 - 30 Years  |
| 555 White Plains Road<br>Tarrytown, New York .....      | 2,302                                   | 1972                                | 1996                         | 10 - 30 Years  |

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560 White Plains Road  
Tarrytown, New York ..... 2,602 1980 1996 10 - 30 Years

Continued

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RECKSON ASSOCIATES REALTY CORP.  
SCHEDULE III -- REAL ESTATE AND ACCUMULATED DEPRECIATION  
DECEMBER 31, 2000 (CONTINUED)  
(IN THOUSANDS)

| COLUMN A<br>-----<br>DESCRIPTION<br>-----                   | COLUMN B<br>-----<br>ENCUMBRANCE<br>----- | COLUMN C<br>-----     |                               | COLUMN D<br>-----  |                               |
|---|---|-----------------------|-------------------------------|--|-------------------------------|
|   |   | INITIAL COST<br>----- |                               | COST CAPITALIZED,<br>SUBSEQUENT TO<br>ACQUISITION<br>----- |                               |
|   |   | LAND                  | BUILDINGS AND<br>IMPROVEMENTS | LAND   | BUILDINGS AND<br>IMPROVEMENTS |
| 580 White Plains Road<br>Tarrytown, New York .....          | 13,057                                    | 2,414                 | 14,595                        | --   | 3,056                         |
| 660 White Plains Road<br>Tarrytown, New York .....          | --  | 3,929                 | 22,640                        | 45   | 4,801                         |
| Landmark Square<br>Stamford, Connecticut .....              | 46,974                                    | 11,603                | 64,466                        | 832  | 27,610                        |
| 110 Bi -County Blvd.<br>Farmingdale, New York .....         | 4,043                                     | 2,342                 | 6,665                         | --   | 187                           |
| One Eagle Rock,<br>East Hanover, New Jersey .....           | --  | 803                   | 7,563                         | --   | 3,025                         |
| 710 Bridgeport Avenue<br>Shelton, Connecticut .....         | --  | 5,405                 | 21,620                        | 7  | 719                           |
| 101 JFK Expressway<br>Short Hills, New Jersey .....         | --  | 7,745                 | 43,889                        | --   | 1,154                         |
| 10 Rooney Circle<br>West Orange, New Jersey--- .....        | --  | 1,302                 | 4,615                         | 1  | 425                           |
| Executive Hill Office Park<br>West Orange, New Jersey ..... | --  | 7,629                 | 31,288                        | 4  | 1,299                         |
| 3 University Plaza<br>Hackensack, New Jersey--- .....       | --  | 7,894                 | 11,846                        | --   | 2,425                         |
| One Paragon Drive<br>Montvale, New Jersey .....             | --  | 2,773                 | 9,901                         | --   | 687                           |
| 150 Motor Parkway<br>Hauppauge, New York .....              | --  | 1,114                 | 20,430                        | --   | 2,688                         |
| Reckson Executive Park<br>Ryebrook, New York .....          | --  | 18,343                | 55,028                        | --   | 2,168                         |
| University Square<br>Princeton, New Jersey .....            | --  | 3,288                 | 8,888                         | --   | 419                           |
| 100 Andrews Road<br>Hicksville, New York .....              | --  | 2,337                 | 1,711                         | 151  | 5,742                         |
| 2 Macy Road<br>Harrison, New York .....                     | --  | 642                   | 2,131                         | --   | 66                            |
| 80 Grasslands<br>Elmsford, New York .....                   | --  | 1,208                 | 6,728                         | --   | 436                           |
| 65 Marcus Drive<br>Melville, New York .....                 | --  | 295                   | 1,966                         | 56   | 883                           |

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|   |    |       |        |    |       |
|---|----|-------|--------|----|-------|
| Triad V -- 1979 Marcus Rd.,<br>Lake Success, New York ..... | -- | 3,528 | 31,786 | -- | 7,921 |
| 100 Forge Way<br>Rockaway, New Jersey .....                 | -- | 315   | 902    | -- | 90    |

| COLUMN A  | COLUMN E  |                               |         | COLUMN F                    | COLUMN G                |
|---|---|-------------------------------|---------|-----------------------------|-------------------------|
|   | GROSS AMOUNT AT WHICH<br>CARRIED AT CLOSE OF PERIOD |                               |         |                             |                         |
| DESCRIPTION   | LAND  | BUILDINGS AND<br>IMPROVEMENTS | TOTAL   | ACCUMULATED<br>DEPRECIATION | DATE OF<br>CONSTRUCTION |
| 580 White Plains Road<br>Tarrytown, New York .....          | 2,414   | 17,651                        | 20,065  | 3,515                       | 1997                    |
| 660 White Plains Road<br>Tarrytown, New York .....          | 3,974   | 27,441                        | 31,415  | 5,523                       | 1983                    |
| Landmark Square<br>Stamford, Connecticut .....              | 12,435  | 92,076                        | 104,511 | 12,076                      | 1973-1984               |
| 110 Bi -County Blvd.<br>Farmingdale, New York .....         | 2,342   | 6,852                         | 9,194   | 972                         | 1984                    |
| One Eagle Rock,<br>East Hanover, New Jersey .....           | 803   | 10,588                        | 11,391  | 1,683                       | 1986                    |
| 710 Bridgeport Avenue<br>Shelton, Connecticut .....         | 5,412   | 22,339                        | 27,751  | 2,893                       | 1971-1979               |
| 101 JFK Expressway<br>Short Hills, New Jersey .....         | 7,745   | 45,043                        | 52,788  | 5,478                       | 1981                    |
| 10 Rooney Circle<br>West Orange, New Jersey---              | 1,303   | 5,040                         | 6,343   | 699                         | 1971                    |
| Executive Hill Office Park<br>West Orange, New Jersey ..... | 7,633   | 32,587                        | 40,220  | 3,968                       | 1978-1984               |
| 3 University Plaza<br>Hackensack, New Jersey---             | 7,894   | 14,271                        | 22,165  | 1,785                       | 1985                    |
| One Paragon Drive<br>Montvale, New Jersey .....             | 2,773   | 10,588                        | 13,361  | 1,320                       | 1980                    |
| 150 Motor Parkway<br>Hauppauge, New York .....              | 1,114   | 23,118                        | 24,232  | 2,986                       | 1984                    |
| Reckson Executive Park<br>Ryebrook, New York .....          | 18,343  | 57,196                        | 75,539  | 6,192                       | 1983-1986               |
| University Square<br>Princeton, New Jersey .....            | 3,288   | 9,307                         | 12,595  | 940                         | 1987                    |
| 100 Andrews Road<br>Hicksville, New York .....              | 2,488   | 7,453                         | 9,941   | 1,194                       | 1954                    |
| 2 Macy Road<br>Harrison, New York .....                     | 642   | 2,197                         | 2,839   | 234                         | 1962                    |
| 80 Grasslands<br>Elmsford, New York .....                   | 1,208   | 7,164                         | 8,372   | 778                         | 1989/1964               |
| 65 Marcus Drive<br>Melville, New York .....                 | 351   | 2,849                         | 3,200   | 454                         | 1968                    |
| Triad V -- 1979 Marcus Rd.,<br>Lake Success, New York ..... | 3,528   | 39,707                        | 43,235  | 4,514                       | 1987                    |
| 100 Forge Way<br>Rockaway, New Jersey .....                 | 315   | 992                           | 1,307   | 107                         | 1986                    |

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RECKSON ASSOCIATES REALTY CORP.  
SCHEDULE III -- REAL ESTATE AND ACCUMULATED DEPRECIATION  
DECEMBER 31, 2000 (CONTINUED)  
(IN THOUSANDS)

| COLUMN A   | COLUMN B    | COLUMN C     |                               | COLUMN D                         |
|--|-------------|--------------|-------------------------------|----------------------------------|
| DESCRIPTION  | ENCUMBRANCE | INITIAL COST |                               | COST CAPIT<br>SUBSEQU<br>ACQUISI |
| DESCRIPTION  | ENCUMBRANCE | LAND         | BUILDINGS AND<br>IMPROVEMENTS | LAND                             |
| 200 Forge Way<br>Rockaway, New Jersey .....                      | --          | 1,128        | 3,228                         | --                               |
| 300 Forge Way<br>Rockaway, New Jersey .....                      | --          | 376          | 1,075                         | --                               |
| 400 Forge Way<br>Rockaway, New Jersey .....                      | --          | 1,142        | 3,267                         | --                               |
| 51 - 55 Charles Lindbergh Blvd.<br>Mitchel Field, New York ..... | --          | A            | 27,975                        | --                               |
| 155 Passaic Avenue<br>Fairfield, New Jersey .....                | --          | 3 (A)        | 3,538                         | --                               |
| 100 Summit Drive<br>Valhalla, New York .....                     | 21,541      | 3,007        | 41,351                        | --                               |
| 115/117 Stevens Avenue<br>Valhalla, New York .....               | --          | 1,094        | 22,490                        | --                               |
| 200 Summit Lake Drive<br>Valhalla, New York .....                | 20,133      | 4,343        | 37,305                        | --                               |
| 140 Grand Street<br>White Plains, New York .....                 | --          | 1,932        | 18,744                        | --                               |
| 500 Summit Lake Drive<br>Valhalla, New York .....                | --          | 7,052        | 37,309                        | --                               |
| 99 Cherry Hill Road<br>Parsippany, New Jersey .....              | --          | 2,360        | 7,508                         | --                               |
| 119 Cherry Hill Road<br>Parsippany, New Jersey .....             | --          | 2,512        | 7,622                         | --                               |
| 45 Melville Park Road<br>Melville, New York .....                | --          | 355          | 1,487                         | --                               |
| 500 Saw Mill River Road<br>Elmsford, New York .....              | --          | 1,542        | 3,796                         | --                               |
| 120 W.45th Street<br>New York, New York .....                    | 66,103      | 28,757 (A)   | 162,809                       | (10)                             |
| 1255 Broad Street<br>Clifton, New Jersey .....                   | --          | 1,329        | 15,869                        | --                               |
| 810 7th Avenue<br>New York, New York .....                       | 85,600      | 26,984 (A)   | 152,767                       | 112                              |
| 120 Mineola Blvd.<br>Mineola, New York .....                     | --          | 1,869        | 10,603                        | 5                                |
| 100 Wall Street<br>New York, New York .....                      | 37,094      | 11,749       | 66,517                        | 90                               |
| One Orlando<br>Orlando, Florida .....                            | 39,465      | 9,386        | 51,136                        | 29                               |

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| COLUMN A   | COLUMN E |                            |         | COLUMN F                 | COLUMN G             |
|--|----------|----------------------------|---------|--------------------------|----------------------|
| DESCRIPTION  | LAND     | BUILDINGS AND IMPROVEMENTS | TOTAL   | ACCUMULATED DEPRECIATION | DATE OF CONSTRUCTION |
| GROSS AMOUNT AT WHICH CARRIED AT CLOSE OF PERIOD                 |          |                            |         |                          |                      |
| 200 Forge Way<br>Rockaway, New Jersey .....                      | 1,128    | 3,406                      | 4,534   | 342                      | 1989                 |
| 300 Forge Way<br>Rockaway, New Jersey .....                      | 376      | 1,329                      | 1,705   | 176                      | 1989                 |
| 400 Forge Way<br>Rockaway, New Jersey .....                      | 1,142    | 3,446                      | 4,588   | 346                      | 1989                 |
| 51 - 55 Charles Lindbergh Blvd.<br>Mitchel Field, New York ..... | --       | 32,233                     | 32,233  | 4,495                    | 1981                 |
| 155 Passaic Avenue<br>Fairfield, New Jersey .....                | 3        | 5,664                      | 5,667   | 623                      | 1984                 |
| 100 Summit Drive<br>Valhalla, New York .....                     | 3,007    | 45,491                     | 48,498  | 4,441                    | 1988                 |
| 115/117 Stevens Avenue<br>Valhalla, New York .....               | 1,094    | 23,223                     | 24,317  | 2,128                    | 1984                 |
| 200 Summit Lake Drive<br>Valhalla, New York .....                | 4,343    | 39,266                     | 43,609  | 3,493                    | 1990                 |
| 140 Grand Street<br>White Plains, New York .....                 | 1,932    | 19,053                     | 20,985  | 1,746                    | 1991                 |
| 500 Summit Lake Drive<br>Valhalla, New York .....                | 7,052    | 45,103                     | 52,155  | 3,569                    | 1986                 |
| 99 Cherry Hill Road<br>Parsippany, New Jersey .....              | 2,360    | 7,881                      | 10,241  | 676                      | 1982                 |
| 119 Cherry Hill Road<br>Parsippany, New Jersey .....             | 2,512    | 8,501                      | 11,013  | 706                      | 1982                 |
| 45 Melville Park Road<br>Melville, New York .....                | 355      | 3,309                      | 3,664   | 407                      | 1998                 |
| 500 Saw Mill River Road<br>Elmsford, New York .....              | 1,542    | 3,981                      | 5,523   | 399                      | 1968                 |
| 120 W.45th Street<br>New York, New York .....                    | 28,747   | 164,046                    | 192,793 | 9,065                    | 1998                 |
| 1255 Broad Street<br>Clifton, New Jersey .....                   | 1,329    | 19,845                     | 21,174  | 1,057                    | 1999                 |
| 810 7th Avenue<br>New York, New York .....                       | 27,096   | 161,922                    | 189,018 | 8,785                    | 1970                 |
| 120 Mineola Blvd.<br>Mineola, New York .....                     | 1,874    | 10,859                     | 12,733  | 608                      | 1977                 |
| 100 Wall Street<br>New York, New York .....                      | 11,839   | 71,085                     | 82,924  | 3,845                    | 1969                 |
| One Orlando<br>Orlando, Florida .....                            | 9,415    | 52,775                     | 62,190  | 2,770                    | 1987                 |

Continued



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RECKSON ASSOCIATES REALTY CORP.  
 SCHEDULE III -- REAL ESTATE AND ACCUMULATED DEPRECIATION  
 DECEMBER 31, 2000 (CONTINUED)  
 (IN THOUSANDS)

| COLUMN A  | COLUMN B    | COLUMN C     |                            | COLUMN D         |                            |
|---|-------------|--------------|----------------------------|------------------|----------------------------|
| DESCRIPTION   | ENCUMBRANCE | INITIAL COST |                            | COST CAPITALIZED | COST CAPITALIZED           |
|   |             | LAND         | BUILDINGS AND IMPROVEMENTS | LAND             | BUILDINGS AND IMPROVEMENTS |
| 1350 Avenue of the Americas<br>New York, New York ..... | 70,000      | 19,222       | 109,168                    | --               | --                         |
| 919 3rd. Avenue<br>New York, New York .....             | 200,000     | 101,644 (A)  | 205,736                    | --               | --                         |
| 538 Broadhollow Road<br>Melville, New York .....        | --          | 3,900        | 21,413                     | --               | --                         |
| 360 Hamilton Avenue<br>White Plains, New York (D) ....  | --          | 2,838        | 34,606                     | --               | --                         |
| 492 River Road<br>Nutley, New Jersey .....              | --          | 2,615        | 5,102                      | --               | --                         |
| 275 Broadhollow Road<br>Melville, New York .....        | --          | 3,850        | 12,958                     | --               | --                         |
| 400 Garden City Plaza<br>Garden City, New York .....    | --          | 9,081        | 17,004                     | --               | --                         |
| 90 Merrick Avenue<br>East Meadow, New York .....        | --          | (A)          | 23,804                     | --               | --                         |
| 120 White Plains Road<br>Tarrytown, New York .....      | --          | 3,852        | 24,861                     | --               | --                         |
| 100 White Plains Road<br>Tarrytown, New York .....      | --          | 79           | 472                        | --               | --                         |
| 51 JFK Parkway<br>Short Hills, New Jersey .....         | --          | 10,053       | 62,504                     | 1                | 1                          |
| 680 Washington Blvd<br>Stamford, Connecticut .....      | --          | 4,561        | 23,698                     | --               | --                         |
| 750 Washington Blvd<br>Stamford, Connecticut .....      | --          | 7,527        | 31,940                     | --               | --                         |
| 1305 Walt Whitman Road<br>Melville, New York .....      | --          | 3,934        | 24,040                     | --               | --                         |
| Land held for development .....                         | --          | 60,823       | --                         | --               | --                         |
| Developments in progress .....                          | --          | --           | 77,076                     | --               | --                         |
| Other property .....                                    | --          | --           | --                         | --               | --                         |
| Total .....   | \$728,971   | \$ 455,920   | \$2,037,742                | \$1,480          | \$1,480                    |
|   | =====       | =====        | =====                      | =====            | =====                      |

| COLUMN A  | COLUMN E | COLUMN F | COLUMN G |
|---|----------|----------|----------|
| GROSS AMOUNT AT WHICH<br>CARRIED AT CLOSE OF PERIOD |          |          |          |

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| DESCRIPTION   | LAND      | BUILDINGS AND IMPROVEMENTS | TOTAL       | ACCUMULATED DEPRECIATION | CONS |
|---|-----------|----------------------------|-------------|--------------------------|------|
| 1350 Avenue of the Americas<br>New York, New York ..... | 19,222    | 115,310                    | 134,532     | 3,500                    | 1    |
| 919 3rd. Avenue<br>New York, New York .....             | 101,644   | 206,052                    | 307,696     | 1,085                    | 1    |
| 538 Broadhollow Road<br>Melville, New York .....        | 3,900     | 22,280                     | 26,180      | 239                      | 2    |
| 360 Hamilton Avenue<br>White Plains, New York (D) ....  | 2,838     | 53,654                     | 56,492      | 1,494                    | 2    |
| 492 River Road<br>Nutley, New Jersey .....              | 2,615     | 6,627                      | 9,242       | 38                       | 2    |
| 275 Broadhollow Road<br>Melville, New York .....        | 3,850     | 12,959                     | 16,809      | 896                      | 1    |
| 400 Garden City Plaza<br>Garden City, New York .....    | 9,081     | 17,073                     | 26,154      | 811                      | 1    |
| 90 Merrick Avenue<br>East Meadow, New York .....        | --        | 23,823                     | 23,823      | 3,393                    | 1    |
| 120 White Plains Road<br>Tarrytown, New York .....      | 3,852     | 24,877                     | 28,729      | 1,401                    | 1    |
| 100 White Plains Road<br>Tarrytown, New York .....      | 79        | 479                        | 558         | 5                        | 1    |
| 51 JFK Parkway<br>Short Hills, New Jersey .....         | 10,054    | 62,619                     | 72,673      | 3,201                    | 1    |
| 680 Washington Blvd<br>Stamford, Connecticut .....      | 4,561     | 23,704                     | 28,265      | 1,143                    | 1    |
| 750 Washington Blvd<br>Stamford, Connecticut .....      | 7,527     | 31,963                     | 39,490      | 1,482                    | 1    |
| 1305 Walt Whitman Road<br>Melville, New York .....      | 3,934     | 24,044                     | 27,978      | 959                      | 1    |
| Land held for development .....                         | 60,823    | --                         | 60,823      | --                       |      |
| Developments in progress .....                          | --        | 77,076                     | 77,076      | --                       |      |
| Other property .....                                    | --        | 9,777 (B)                  | 9,777       | 1,209                    |      |
| Total .....   | \$457,400 | \$2,313,207                | \$2,770,607 | \$284,315                |      |

| COLUMN A<br>DESCRIPTION                                 | COLUMN I<br>LIFE ON WHICH DEPRECIATION IS COMPUTED |
|---|--|
| 1350 Avenue of the Americas<br>New York, New York ..... | 10 - 30 Years                                      |
| 919 3rd. Avenue<br>New York, New York .....             | 10 - 30 Years                                      |
| 538 Broadhollow Road<br>Melville, New York .....        | 10 - 30 Years                                      |
| 360 Hamilton Avenue<br>White Plains, New York (D) ....  | 10 - 30 Years                                      |
| 492 River Road<br>Nutley, New Jersey .....              | 10 - 30 Years                                      |
| 275 Broadhollow Road<br>Melville, New York .....        | 10 - 30 Years                                      |
| 400 Garden City Plaza                                   |  |

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|                                 |               |
|---------------------------------|---------------|
| Garden City, New York .....     | 10 - 30 Years |
| 90 Merrick Avenue               |               |
| East Meadow, New York .....     | 10 - 30 Years |
| 120 White Plains Road           |               |
| Tarrytown, New York .....       | 10 - 30 Years |
| 100 White Plains Road           |               |
| Tarrytown, New York .....       | 10 - 30 Years |
| 51 JFK Parkway                  |               |
| Short Hills, New Jersey .....   | 10 - 30 Years |
| 680 Washington Blvd             |               |
| Stamford, Connecticut .....     | 10 - 30 Years |
| 750 Washington Blvd             |               |
| Stamford, Connecticut .....     | 10 - 30 Years |
| 1305 Walt Whitman Road          |               |
| Melville, New York .....        | 10 - 30 Years |
| Land held for development ..... | N/A           |
| Developments in progress .....  |               |
| Other property .....            |               |
| Total .....                     |               |

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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, 2000, this property was partially under development. As a result, certain costs have been classified as development costs on the Company's accompanying balance sheet.

The aggregate cost of Federal Income Tax purposes was approximately \$ 2,169 million at December 31, 2000.

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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, 2000 are as follows:

|  | 2000        | 1999      | 1998       |
|--|-------------|-----------|------------|
|  | -----       | -----     | -----      |
| Real estate balance at beginning of period .....                               | 2,208,399   | 1,737,133 | \$1,011,22 |
| Improvements / revaluations .....  | 166,260     | 57,571    | 134,58     |
| Disposal, including write-off of fully depreciated building improvements ..... | (52,092)    | (317,864) | -          |
| Acquisitions .....   | 448,040     | 731,559   | 591,32     |
|  | -----       | -----     | -----      |
| Balance at end of period .....   | \$2,770,607 | 2,208,399 | 1,737,13   |
|  | =====       | =====     | =====      |

The change in accumulated depreciation, exclusive of amounts relating to equipment, autos, furniture and fixtures, for each of the periods in the three

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years ended December 31, 2000 are as follows:

|   | 2000      | 1999      | 1998      |
|---|-----------|-----------|-----------|
|   | -----     | -----     | -----     |
| Balance at beginning of period .....  | \$215,112 | 156,231   | \$108,652 |
| Depreciation for period .....   | 71,478    | 65,471    | 47,579    |
| Disposal, including write-off of fully<br>depreciated building improvements ..... | (2,275)   | (6,590)   | --        |
|   | -----     | -----     | -----     |
| Balance at end of period .....  | \$284,315 | \$215,112 | \$156,231 |
|   | =====     | =====     | =====     |

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