

Edgar Filing: RECKSON ASSOCIATES REALTY CORP - Form 8-K

RECKSON ASSOCIATES REALTY CORP
Form 8-K
November 21, 2003

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the
Securities Exchange Act of 1934

Date of Report: November 21, 2003

RECKSON ASSOCIATES REALTY CORP.
and

RECKSON OPERATING PARTNERSHIP, L.P.

(Exact name of each Registrant as specified in its Charter)

Reckson Associates Realty Corp. - Maryland	Reckson Associates Realty Corp. - 11-3233650
Reckson Operating Partnership, L.P. - Delaware	Reckson Operating Partnership, L.P. - 11-3233647

(State or other jurisdiction of
incorporation or organization)

(IRS Employer ID Number)

225 Broadhollow Road
Melville, New York

11747

(Address of principal executive offices)

(Zip Code)

1-13762

(Commission File Number)

(631) 694-6900

(Registrant's telephone number, including area code)

ITEM 2. ACQUISITION OR DISPOSITION OF ASSETS

On September 10, 2003, Reckson Associates Realty Corp. (the "Company") announced that it had entered into agreements relating to the disposition of its Long Island industrial building portfolio (the "Disposition") to members of the Rechler family for approximately \$315.5 million in cash and other consideration. The transactions contemplated by the agreements were consummated on November 10 and November 12, 2003. As a result, the Company has disposed of all but three of its 95 property, 5.9 million square foot, Long Island industrial building portfolio for approximately \$225.1 million in cash and debt assumption and 3,932,111 Class A common units of limited partnership interest of Reckson Operating Partnership, L.P. valued at approximately \$90.4 million. Approximately \$204 million of cash sales proceeds from the Disposition were used to repay borrowings under the Company's unsecured revolving credit facility (the "Credit Facility"). The remaining cash sale proceeds were applied as a contract deposit

Edgar Filing: RECKSON ASSOCIATES REALTY CORP - Form 8-K

on the pending acquisition of 1185 Avenue of the Americas, New York, NY. The remaining three properties, two of which are subject to transfer pursuant to Section 1031 of the Internal Revenue Code of 1986, as amended (the "Code"), are anticipated to close within three to six months. Although the Company had considered applying a portion of the cash sale proceeds to redeem its outstanding Series B preferred stock, it no longer anticipates using such cash sale proceeds for this purpose.

In addition, four of the five remaining options granted to the Company at the time of the Company's IPO to purchase interests in properties owned by Rechler family members (including three properties in which the Rechler family members hold non-controlling interests and one industrial property) were terminated along with the Company's management contracts relating to three of such properties. In return the Company received an aggregate payment from the Rechler family members of \$972,000. Rechler family members also extended the term of the remaining option on the property located at 225 Broadhollow Road, Melville, New York (the Company's current headquarters) for five years and released the Company from approximately 15,500 square feet under its lease at this property. In connection with the restructuring of the remaining option the Rechler family members paid the Company \$1 million in return for the Company's agreement not to exercise the option during the next three years. As part of the agreement, the exercise price of the option payable by the Company was increased by \$1 million. In addition, as part of the transaction, the Rechler family entity was granted rights of first refusal with respect to five vacant land parcels located near the industrial properties for a period of five years.

In connection with the closing, each of Donald Rechler, Roger Rechler, Gregg Rechler and Mitchell Rechler resigned as an officer of the Company. Mr. Donald Rechler remains a member of the Board of Directors of the Company. In settlement of their employment agreements, these four executives received accelerated vesting of certain equity based awards and an assignment of certain loans owed to the Company, as described below. Additionally, these exiting executives have agreed to provide two-year commitments to assist the Company in the transition and entered into specified non-compete arrangements.

In addition, the Company also announced certain other management changes and corporate governance enhancements. The reconstituted Board consists of six independent directors and Messrs. Scott and Donald Rechler. The Company has filled the executive positions vacated by the departing Rechler family members by promoting from within.

In conjunction with this transaction, the Company is also proposing to de-stagger its Board of Directors at its next Annual Shareholders Meeting, to opt out of state anti-takeover provisions and to authorize modification of the ownership limit currently in its charter relating to the "five or fewer rule" under the REIT qualification provisions of the U.S. Internal Revenue Code.

On November 10, 2003, in connection with the Company's sale of its Long Island industrial building portfolio and the settlement of the employment contracts of the departing Rechler family members, the Company incurred the following restructuring charges: (i) approximately \$7.5 million related to outstanding stock loans under the Company's historical long term incentive program ("LTIP") were transferred to the entity that acquired the Long Island industrial building portfolio and approximately \$575,000 of loans related to life insurance contracts were extinguished, (ii) approximately \$2.9 million paid to the departing Rechler family members in exchange for 127,689, or 100% of their rights to receive shares of Class A common stock that were granted in 2002 and their rights that were granted in 2003 were forfeited in their entirety and (iii) with respect to two of the departing Rechler family members participating

Edgar Filing: RECKSON ASSOCIATES REALTY CORP - Form 8-K

in the Company's March 2003 LTIP, each received 8,681 shares of the Company's Class A common stock related to the service component of their core award which was valued at \$399,000 in the aggregate. In addition, if the Company attains its annual performance measure in March 2004, these individuals will also be entitled to each receive 26,041 shares of Class A common stock representing the balance of the annual core award as if they had remained in continuous employment with the Company. The remainder of their core awards, aggregating 208,334 shares of Class A common stock, was forfeited as was the entire amount of their special outperformance component of the March 2003 LTIP.

A number of shareholder derivative actions have been commenced purportedly on behalf of the Company against the Board of Directors in the Supreme Court of the State of New York, County of Nassau (*Lowinger v. Rechler et al.*, Index No. 01 4162/03 (9/16/03)), the Supreme Court of the State of New York, County of Suffolk (*Steiner v. Rechler et al.*, Index No. 03 32545 (10/2/03) and *Lighter v. Rechler et al.*, Index No. 03 23593 (10/3/03)), the United States District Court, Eastern District of New York (*Tucker v. Rechler et al.*, Case No. cv 03 4917 (9/26/03), *Clinton Charter Township Police and Fire Retirement System v. Rechler et al.*, Case No. cv 03 5008 (10/1/03) and *Teachers' Retirement System of Louisiana v. Rechler et al.*, Case No. cv 03 5178 (10/14/03)) and the Circuit Court for Baltimore County (*Sekuk Global Enterprises Profit Sharing Plan v. Rechler et al.*, Civil No. 24-C-03007496 (10/16/03), *Hoffman v. Rechler et al.*, 24-C-03-007876 (10/27/03) and *Chirko v. Rechler et al.*, 24-C-03-008010 (10/30/03)), relating to the sale of the Long Island Industrial Portfolio to certain members of the Rechler family. The complaints allege, among other things, that the process by which the directors agreed to the transaction was not sufficiently independent of the Rechler family and did not involve a "market check" or third party auction process and as a result was not for adequate consideration. The Plaintiffs seek similar relief, including a declaration that the directors violated their fiduciary duties, an injunction against the transaction and damages. The Company believes that complaints are without merit.

The descriptions of the Disposition contained in the Company's current reports on Form 8-K filed with the Securities and Exchange Commission on September 18, 2003, October 1, 2003 and October 22, 2003 and the Company's quarterly report on Form 10-Q filed with the Securities and Exchange Commission on November 14, 2003 are incorporated herein by reference. The information in this current report on Form 8-K supplements and amends the information contained in those previously filed reports.

3

ITEM 5. OTHER EVENTS AND REQUIRED REGULATION FD DISCLOSURE

On November 10, 2003, the Company entered into a contract to acquire 1185 Avenue of the Americas, a 42-story, 1.1 million square foot Class A office tower, located between 46th and 47th Streets in New York City for \$321 million. The building is presently encumbered by a \$202 million mortgage and \$48 million of mezzanine debt that the Company would assume at closing. The balance of the purchase price would be paid through an advance under the Credit Facility. The floating rate mortgage and mezzanine debt both mature in August 2004 and presently have a weighted average interest rate of 4.95%. The property is also encumbered by a ground lease which has a remaining term of approximately 40 years (inclusive of a 20 year extension term exercisable by the Company as lessee) with rent scheduled to be re-set at the end of 2005. The closing is subject to customary consents and conditions. There can be no assurance that the transaction will be consummated.

The Company has also entered into a contract to sell 538 Broadhollow

Edgar Filing: RECKSON ASSOCIATES REALTY CORP - Form 8-K

Road, Melville, New York, a 181,000 square foot office property located on Long Island for approximately \$24.3 million that is scheduled to close during the fourth quarter of 2003. Net proceeds from the sale will be used to repay borrowings under the Credit Facility. The closing is subject to customary consents and conditions. There can be no assurance that this transaction will be consummated.

4

ITEM 7. FINANCIAL STATEMENTS, PRO FORMA FINANCIAL INFORMATION AND EXHIBITS

(a) Financial Statements

Report of Independent Auditors

BOARD OF DIRECTORS AND STOCKHOLDERS
RECKSON ASSOCIATES REALTY CORP.

We have audited the statement of revenues and certain expenses of 1185 Avenue of the Americas, New York, NY (the "Company") for the year ended December 31, 2002. The financial statement is the responsibility of the Company's management. Our responsibility is to express an opinion on this financial statement based on our audit.

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

The accompanying statement of revenues and certain expenses was prepared for the purpose of complying with Rule 3-14 of Regulation S-X of the Securities and Exchange Commission for inclusion in form 8-K of Reckson Associates Realty Corp., and is not intended to be a complete presentation of the Company's revenues and expenses.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the revenues and certain expenses of the Company, as described in Note 1, for the year ended December 31, 2002, in conformity with accounting principles generally accepted in the United States.

Beck & Company, LLC

New York, New York
November 18, 2003

Statement of Revenues and Certain Expenses of 1185 Avenue of the Americas, New York, New York for the nine months ended September 30, 2003 (unaudited) and the year ended December 31, 2002 and related notes

Edgar Filing: RECKSON ASSOCIATES REALTY CORP - Form 8-K

	Year Ended 12/31/02	(Unaudited) Nine Months Ended 9/30/03
	-----	-----
Revenues:		
Rents (Note 3)	\$34,808,634	\$27,926,298
Tenant escalations and reimbursements	5,814,932	4,971,903
Other	797,772	694,031
	-----	-----
Total revenues	41,421,338	33,592,232
	-----	-----
Expenses:		
Real estate taxes	7,800,891	6,501,768
Utilities	3,925,589	3,508,047
Cleaning	1,844,666	1,517,475
Insurance	1,025,046	1,338,897
Ground rent (Note 5)	811,826	608,871
Salaries and benefits	956,272	764,804
Repairs and maintenance	882,496	616,873
General and administrative	873,526	709,339
	-----	-----
Total certain expenses	18,120,312	15,566,074
	-----	-----
Revenues in excess of certain expenses	\$23,301,026	\$18,026,158
	=====	=====

See notes to the financial statement.

6

1185 AVENUE OF THE AMERICAS
NOTES TO THE STATEMENT OF REVENUES AND CERTAIN EXPENSES

1. Organization and Significant Accounting Policies

Presented herein is the statements of revenues and certain expenses related to the operation of an office building located at 1185 Avenue of the Americas, New York, NY (the "Property"). On November 10, 2003, Reckson Associates Realty Corp., entered into an agreement to acquire the Property, closing is expected to occur in December 2003.

The accompanying financial statements have been prepared in accordance with the applicable rules and regulations of the Securities and Exchange Commission for the acquisition of real estate properties. Accordingly, the financial statements exclude certain expenses that may not be comparable to those expected to be incurred by the Company in the proposed future operations of the aforementioned property. Items excluded consist of interest, depreciation, amortization and other expenses not directly associated with the future operations.

2. Use of Estimates in the Preparation of Financial Statements

The preparation of the statement of revenues and certain expenses in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the amounts reported in the statement of revenues and certain expenses and accompanying notes. Actual

Edgar Filing: RECKSON ASSOCIATES REALTY CORP - Form 8-K

results could differ from those estimates.

3. Revenue Recognition

Minimum rental income is generally recognized on a straight-line basis over the term of the lease. Space is leased to tenants under leases ranging from 1 to 20 years. Rental income is recognized over the terms of the leases as it is earned. The leases generally also require that the tenant reimburse the landlord for increases in certain operating costs and real estate taxes above base year costs.

Five tenants individually occupy in excess of 10% and in the aggregate approximately 56% of the rentable space in the Property. Revenues therefrom aggregated approximately 53% of the Property's annual base rent. These leases expire at various dates between December 2005 and October 2013.

4. Future Rental Income

Future minimum rental payments due from tenants under non-cancelable operating leases as of December 31, 2002 are as follows:

Year Ended	
2003	\$ 35,020,000
2004	35,982,000
2005	35,839,000
2006	34,276,000
2007	33,072,000
Thereafter	193,993,000

	\$368,182,000

7

1185 AVENUE OF THE AMERICAS NOTES TO THE STATEMENT OF REVENUES AND CERTAIN EXPENSES

5. Land Lease

The Company leases, pursuant to a non-cancelable net operating lease, the land under and surrounding the building for a term that expires on November 30, 2020. At the Company's option, the lease may be extended until June 27, 2043.

The land lease requires annual base rentals of \$725,000 payable in quarterly installments of \$181,250 through November 30, 2005. Thereafter, the annual base rent increases to the greater of (a) \$825,000 or (b) 7% of the fair market value of one of the land parcels (as defined in the lease) through the lease expiration including the term of the extension.

The land lease also requires quarterly payments of additional rent during the period October 1, 2005 through July 1, 2010. Additional rent is determined as the greater of (a) \$28,493 per annum or (b) the quotient arrived at after taking the difference between the fair market value base rent described above for a 520 day period less \$1,175,342 and dividing the result thereof, by five.

Future minimum rental payments due from the Company under the land lease as of December 31, 2002 are as follows:

Edgar Filing: RECKSON ASSOCIATES REALTY CORP - Form 8-K

Year Ended	

2003	\$ 725,000
2004	725,000
2005	757,123
2006	853,493
2007	853,493
Thereafter	10,717,939

	\$ 14,632,048

6. Unaudited Interim Financial Statement

The financial statement for the nine months ended September 30, 2003 is unaudited, however, in the opinion of management all adjustments (consisting solely of normal recurring adjustments), necessary for a fair presentation of the financial statement for the interim period have been included. The results of the interim period are not necessarily indicative of the results to be obtained for a full fiscal year.

8

(b) Pro forma financial information.

RECKSON ASSOCIATES REALTY CORP.
PRO FORMA FINANCIAL INFORMATION
(Unaudited)

The accompanying financial statements present the unaudited pro forma balance sheet of Reckson Associates Realty Corp. as of September 30, 2003 and the unaudited pro forma statements of income for the year ended December 31, 2002 and the nine months ended September 30, 2003.

The unaudited pro forma balance sheet as of September 30, 2003 is presented as if the Disposition transaction, the acquisition of 1185 Avenue of the Americas, and the sale of 538 Broadhollow Road, Melville New York had occurred on September 30, 2003. The unaudited pro forma statements of income for the year ended December 31, 2002 and the nine months ended September 30, 2003 are presented as if the Disposition transaction, the acquisition of 1185 Avenue of the Americas, and the sale of 538 Broadhollow Road, Melville New York had occurred as of January 1, 2002 and carried forward through September 30, 2003.

The pro forma information is unaudited and is not necessarily indicative of the results which actually would have occurred if the aforementioned transactions had been consummated at the beginning of the period presented, nor does it purport to represent the financial position and results of operations for future periods. The pro forma information should be read in conjunction with the historical financial statements of Reckson Associates Realty Corp.

9

Edgar Filing: RECKSON ASSOCIATES REALTY CORP - Form 8-K

	Reckson Historical (A)	Pro Forma adjustments	
	(A)	(B)	(C)
ASSETS:			
Commercial real estate properties, at cost:			
Land	\$ 386,512	\$	\$
Building and improvements	2,241,511		343,747
Developments in progress:			
Land	89,450		
Development costs	61,372		
Furniture, fixtures and equipment	11,300		
	-----	-----	-----
	2,790,145	0	343,747
Less accumulated depreciation	(446,522)		
	-----	-----	-----
Investment in real estate, net of accumulated depreciation	2,343,623	0	343,747
Properties and related assets held for sale, net of accumulated depreciation	202,521	(202,521) (a)	
Investments in real estate joint ventures	5,844		
Investments in mortgage notes and notes receivable	70,425		
Investments in service companies and affiliate loans and joint ventures	72,054		
Cash and cash equivalents	24,623	9,584 (a)	(10,000)
Tenant receivables	14,842		
Deferred rents receivable	109,622		
Prepaid expenses and other assets	33,773		20,406
Contract and land deposits and pre-acquisition costs	128		
Deferred leasing and loan costs	64,619		
	-----	-----	-----
TOTAL ASSETS	\$ 2,942,074	\$ (192,937)	\$ 354,153
	=====	=====	=====
LIABILITIES:			
Mortgage notes payable	\$ 725,002	\$	\$ 250,000
Mortgage notes payable and other liabilities associated with properties held for sale	9,107	(9,107) (a)	
Unsecured credit facility	374,000	(228,000) (a)	63,000
Senior unsecured notes	499,409		
Accrued expenses and other liabilities	84,860		41,153
Dividends and distributions payable	31,606		
	-----	-----	-----
TOTAL LIABILITIES	1,723,984	(237,107)	354,153
	-----	-----	-----
Minority partners' interests in consolidated partnerships	234,377		
Preferred unit interest in the operating partnership	19,662		
Limited partners' minority interest in the operating partnership	69,410	(90,439) (a)	
	-----	-----	-----
	323,449	(90,439)	0
	-----	-----	-----
Commitments and contingencies	--		
STOCKHOLDERS' EQUITY:			
Preferred Stock, \$.01 par value, 25,000,000 shares			

Edgar Filing: RECKSON ASSOCIATES REALTY CORP - Form 8-K

authorized			
Series A preferred stock, 8,834,500 shares issued and outstanding	88		
Series B preferred stock, 2,000,000 shares issued and outstanding	20		
Common Stock, \$.01 par value, 100,000,000 shares authorized			
Class A common stock, 48,012,988 shares issued and outstanding	481		
Class B common stock, 9,915,313 shares issued and outstanding	99		
Additional paid in capital	957,907	134,609 (d)	
Treasury stock	(63,954)		
Total Stockholders Equity	894,641	134,609	0
Total Liabilities and Stockholders' Equity	\$ 2,942,074	\$(192,937)	\$ 354,153

The accompanying note's and management's assumptions are an integral part of this statement

10

RECKSON ASSOCIATES REALTY CORP.
 NOTES TO PRO FORMA BALANCE SHEET
 SEPTEMBER 30, 2003
 (Unaudited)

- (A) Represents the historical balance sheet of Reckson Associates Realty Corp. at September 30, 2003.
- (B) Represent adjustments to remove the assets and liabilities as a result of the Disposition and the sale of 538 Broadhollow Road as if the Disposition and the sale of 538 Broadhollow Road occurred on September 30, 2003.
- (a) To record the Disposition transaction and the sale of 538 Broadhollow Road as if the Disposition and the sale of 538 Broadhollow Road occurred on September 30, 2003.
- | | |
|--|-----------|
| Sales Price | \$339,840 |
| Repayment on unsecured credit facility | (228,000) |
| Assignment of secured debt to purchaser | (6,077) |
| Retirement of limited partners minority interest | (90,439) |
| Estimated transactional costs | (5,740) |
| Remaining cash proceeds | 9,584 |
- (b) To accrue approximately \$11 million for the future settlement of employment contracts and for anticipated restructure costs related to the Disposition.
- (c) To record the reallocation of general and limited partnership interests in the operating partnership, at September 30, 2003

Edgar Filing: RECKSON ASSOCIATES REALTY CORP - Form 8-K

of approximately \$56.4 million, based on percentage of ownership giving effect to the Disposition transaction, the sale of 538 Broadhollow Road and retirement of 3,932,111 common units of limited partnership interest.

- (d) To record the anticipated realized gain resulting from the Disposition transaction and the sale of 538 Broadhollow Road .

Sales Price	\$339,840
Estimated transactional costs	(5,740)
Assets disposed of net of liabilities	(199,491)

	\$134,609
	=====

11

- (e) To record cash proceeds anticipated to be received in consideration for the termination by Reckson of four options to acquire interests in properties owned by Rechler family members and to amend the terms on which Reckson can exercise a fifth option to acquire the property located at 225 Broadhollow Road, Melville, N.Y. (Reckson's current headquarters).

- (C) To record the acquisition of 1185 Avenue of the Americas had the acquisition occurred on September 30, 2003. Such acquisition is inclusive of an estimated purchase price allocation of approximately \$20.4 million to real estate intangible assets and approximately \$41.1 million to liabilities recorded in accordance with FAS 141 / 142.

12

	Reckson Historical (A)	Pro Forma adjustments -----	
	(A)	(B)	(C)
	-----	-----	-----
REVENUES:			
Property operating revenues:			
Base rents	\$ 437,393	\$ (42,085)	\$ 34,808
Tenant escalations and reimbursements	60,689	(5,248)	5,815
	-----	-----	-----
Total property operating revenues	498,082	(47,333)	40,623
Interest income on mortgage notes and notes receivable	6,279		
Investment and other income	1,731	(690)	798
	-----	-----	-----
TOTAL REVENUES	506,092	(48,023)	41,421
	-----	-----	-----
EXPENSES:			
Property operating expenses	175,041	(12,011)	17,246

Edgar Filing: RECKSON ASSOCIATES REALTY CORP - Form 8-K

Marketing, general and administrative	31,578	(2,364)	874
Interest	88,585	(611)	
		(7,114) (E)	
Depreciation and amortization	112,341	(9,896)	
	-----	-----	-----
TOTAL EXPENSE	407,545	(31,996)	18,120
	-----	-----	-----
Income before minority interests, preferred dividends and distributions, equity in earnings of real estate joint ventures and service companies, gain on sales of real estate, discontinued operations and extraordinary loss	98,547	(16,027)	23,301
Minority partners' interests in consolidated partnerships	(18,730)		
Distributions to preferred unit holders	(1,288)		
Limited partners' minority interest in the operating partnership	(6,238)		
Equity in earnings of real estate joint ventures and service companies	1,113		
Gain on sales of real estate	537		
	-----	-----	-----
Income before discontinued operations, extraordinary loss and preferred dividends	73,941	(16,027)	23,301
Discontinued operations (net of limited partners' minority interest):			
Income from discontinued operations	495		
Gain on sales of real estate	4,267		
	-----	-----	-----
Income before extraordinary loss and dividends to preferred shareholders	78,703	(16,027)	23,301
Extraordinary loss on extinguishment of debts (net of limited partners' minority interest)	(2,335)		
	-----	-----	-----
Net income	76,368	(16,027)	23,301
Dividends to preferred shareholders	(21,835)		
	-----	-----	-----
Net income allocable to common shareholders	\$ 54,533	\$ (16,027)	\$ 23,301
	=====	=====	=====
Net income allocable to:			
Class A common	\$ 41,604		
Class B common	12,929		

Total	\$ 54,533		
	=====		
Basic net income per weighted average share:			
Class A common	\$ 0.79		
Gain on sales of real estate	0.01		
Discontinued operations	0.07		
Extraordinary loss	(0.03)		

Basic net income per Class A common	\$ 0.84		

Edgar Filing: RECKSON ASSOCIATES REALTY CORP - Form 8-K

	=====
Class B common	\$ 1.21
Gain on sales of real estate	0.01
Discontinued operations	0.11
Extraordinary loss	(0.05)

Basic net income per Class B common	\$ 1.28
	=====
Basic weighted average common shares outstanding:	
Class A common	49,669,000
Class B common	10,122,000
Diluted net income per weighted average common share:	
Class A common	\$ 0.83
	=====
Class B common	\$ 0.90
	=====
Diluted weighted average common shares outstanding:	
Class A common	49,968,000
Class B common	10,122,000

The accompanying note's and management's assumptions are an integral part of this statement

13

RECKSON ASSOCIATES REALTY CORP.
 NOTES TO PRO FORMA STATEMENT OF INCOME
 FOR THE YEAR ENDED DECEMBER 31, 2002
 (Unaudited)

- (A) Represents the historical statement of income of Reckson Associates Realty Corp. for the year ended December 31, 2002.
- (B) Represents adjustments to remove the results of operations from the Disposition properties and 538 Broadhollow Road as if such transactions occurred on January 1, 2002.
- (C) Represents adjustments from the purchase of 1185 Avenue of the Americas had this acquisition occurred on January 1, 2002 to (i) add the results of operations, (ii) to record depreciation expense based on an estimated useful life of 30 years and (iii) to record interest expense incurred on the Company's Credit Facility.
- (D) To adjust for general and administrative expenses and service company overhead, included in other income, which would be avoided as a result of the Disposition and sale of 538 Broadhollow Road had the Disposition and sale of 538 Broadhollow Road occurred on January 1, 2002.
- (E) To adjust for interest expense which would have been avoided if the unsecured credit facility had been repaid using the proceeds from the Disposition and sale of 538 Broadhollow Road had the Disposition and sale of 538 Broadhollow Road occurred on January 1, 2002.

Edgar Filing: RECKSON ASSOCIATES REALTY CORP - Form 8-K

- (F) To adjust for interest expense which would have been incurred from the assumption of \$250 million of debt related to the 1185 Avenue of the Americas acquisition.
- (G) To adjust the allocation of income under the limited partnership agreement had the Disposition and sale of 538 Broadhollow Road occurred on January 1, 2002.
- (H) Rental income from 1185 Avenue of the Americas adjusted to reflect straight-line amounts related to the purchase of 1185 Avenue of the Americas.
- (I) Reflects the FAS 141 / 142 adjustment to rental income and amortization expense related to the purchase of 1185 Avenue of the Americas.

14

	Reckson Historical (A)	Pro Forma adjustments	
	(A)	(B)	(C)
REVENUES:			
Property operating revenues:			
Base rents	\$ 288,202	\$	\$ 27,926
Tenant escalations and reimbursements	44,817		4,972
Total property operating revenues	333,019	0	32,898
Interest income on mortgage notes and notes receivable	4,814		
Investment and other income	13,769		694
TOTAL REVENUES	351,602	0	33,592
EXPENSES:			
Property operating expenses	134,787		14,857
Marketing, general and administrative	24,755		709
Interest	61,170		
Depreciation and amortization	82,845		
TOTAL EXPENSES	303,557	0	15,566
Income before minority interests, preferred dividends and distributions, equity (loss) in earnings of real estate joint ventures and service companies, gain on sales of depreciable real estate assets and discontinued operations	48,045	0	18,026

Edgar Filing: RECKSON ASSOCIATES REALTY CORP - Form 8-K

Minority partners' interests in consolidated partnerships	(13,404)		
Distributions to preferred unit holders	(820)		
Limited partners' minority interest in the operating partnership	(1,869)	(1,203)	
Equity (loss) in earnings of real estate joint ventures and service companies	(30)		
Gain on sales of depreciable real estate assets	-----	-----	-----
Income before discontinued operations and preferred dividends	31,922	(1,203)	18,026
Discontinued operations (net of limited partners' minority interest):			
Income from discontinued operations	10,285	(10,285)	
	-----	-----	-----
Net income	42,207	(11,488)	18,026
Dividends to preferred shareholders	(15,950)		
	-----	-----	-----
Net income allocable to common shareholders	\$ 26,257	\$ (11,488)	\$ 18,026
	=====	=====	=====
Net income allocable to:			
Class A common	\$ 19,977		
Class B common	6,280		

Total	\$ 26,257		
	=====		
Basic net income per weighted average share:			
Class A common	\$ 0.26		
Gain on sales of depreciable real estate assets	--		
Discontinued operations	0.16		

Basic net income per Class A common	\$ 0.42		
	=====		
Class B common	\$ 0.38		
Gain on sales of depreciable real estate assets	--		
Discontinued operations	0.25		

Basic net income per Class B common	\$ 0.63		
	=====		
Basic weighted average common shares outstanding:			
Class A common	48,069,657		
Class B common	9,915,313		
Diluted net income per weighted average common share:			
Class A common	\$ 0.41		
	=====		
Class B common	\$ 0.45		
	=====		
Diluted weighted average common shares outstanding:			

Edgar Filing: RECKSON ASSOCIATES REALTY CORP - Form 8-K

Class A common	48,205,207
Class B common	9,915,313

The accompanying note's and management's assumptions are an integral part of this statement

15

RECKSON ASSOCIATES REALTY CORP.
NOTES TO PRO FORMA STATEMENT OF INCOME
NINE MONTHS ENDED SEPTEMBER 30, 2003
(Unaudited)

- (A) Represents the historical statement of income of Reckson Associates Realty Corp. for the nine months ended September 30, 2003.
- (B) Represent adjustments to remove the results of operations from the Disposition properties and 538 Broadhollow Road as if such transactions occurred on January 1, 2002.
- (C) Represents adjustments from the purchase of 1185 Avenue of the Americas had this acquisition occurred on January 1, 2002 to (i) add the results of operations, (ii) to record depreciation expense based on an estimated useful life of 30 years and (iii) to record interest expense incurred on the Company's Credit Facility.
- (D) To adjust for general and administrative expenses and service company overhead included in other income, which would be avoided as a result of the Disposition and sale of 538 Broadhollow Road had the Disposition and sale of 538 Broadhollow Road occurred on January 1, 2002.
- (E) To adjust for interest expense which would have been incurred from the assumption of \$250 million of debt related to the 1185 Avenue of the Americas acquisition.
- (F) To adjust the allocation of income under the limited partnership agreement had the Disposition and sale of 538 Broadhollow Road occurred on January 1, 2002.
- (G) Rental income from 1185 Avenue of the Americas adjusted to reflect straight-line amounts related to the purchase of 1185 Avenue of the Americas.
- (H) Reflects the FAS 141 / 142 adjustment to rental income and amortization expense related to the purchase of 1185 Avenue of the Americas

16

(c) Exhibits The following exhibits are filed as part of this report:

- 10.1 Purchase and Sale Agreement, dated as of November 10, 2003, between Reckson 1185 Avenue of the Americas LLC and 1185 Sixth LLC

Edgar Filing: RECKSON ASSOCIATES REALTY CORP - Form 8-K

23.1 Consent of Beck & Company LLC

17

SIGNATURES

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

RECKSON ASSOCIATES REALTY CORP.

By: /s/ Michael Maturo

Michael Maturo
Executive Vice President
and Chief Financial Officer

RECKSON OPERATING PARTNERSHIP, L.P.

By: Reckson Associates Realty Corp.,
its General Partner

By: /s/ Michael Maturo

Michael Maturo
Executive Vice President
and Chief Financial Officer

Date: November 21, 2003

18

EXHIBIT INDEX

EXHIBIT NUMBER	DESCRIPTION
10.1	Purchase and Sale Agreement, dated as of November 10, 2003, between Reckson 1185 Avenue of the Americas LLC and 1185 Sixth LLC.
23.1	Consent of Beck & Company LLC

19