

RECKSON ASSOCIATES REALTY CORP

Form 10-K

March 24, 2003

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, 2002

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

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

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

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

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

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

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

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

The aggregate market value of the shares of Class A common stock and Class B common stock held by non-affiliates was approximately \$1,015 million based on the closing prices on the New York Stock Exchange for such shares on March 13, 2003.

The Company has two classes of common stock, issued at \$.01 par value per share with 48,252,995 and 9,915,313 shares of Class A common stock and Class B common stock outstanding, respectively as of March 13, 2003.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Registrant's Proxy Statement for the Annual Shareholder's Meeting to be held May 29, 2003 are incorporated by reference into Part III.

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PART I

ITEM 1. BUSINESS

GENERAL

Reckson Associates Realty Corp. was incorporated in September 1994 and commenced operations effective with the completion of its initial public offering (the "IPO") on June 2, 1995. Reckson Associates Realty Corp., together with Reckson Operating Partnership, L.P. (the "Operating Partnership"), and their affiliates (collectively, the "Company") were formed for the purpose of continuing the commercial real estate business of Reckson Associates, its affiliated partnerships and other entities ("Reckson"). For more than 40 years, Reckson has been engaged in the business of owning, developing, acquiring, constructing, managing and leasing office and industrial properties in the New York tri-state area (the "Tri-State Area"). Based on industry surveys, management believes that the Company is one of the largest owners and operators of Class A suburban and central 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, 2002 the Company owned 178 properties (inclusive of 11 joint venture properties) in the Tri-State Area suburban and CBD markets, encompassing approximately 20.3 million rentable square feet, all of which are managed by the Company. These properties include 60 Class A suburban office properties encompassing approximately 8.5 million rentable square feet, of which 42 of these properties, or 74% as measured by square footage, are located within the Company's ten office parks. Reckson has historically emphasized the development and acquisition of properties that are part of large-scale suburban office parks. The Company believes that owning properties in planned office and industrial parks provides certain strategic advantages, including the following: (i) certain tenants prefer being located in a park with other high quality companies to enhance their corporate image, (ii) parks afford tenants certain aesthetic amenities such as a common landscaping plan, standardization of signage and common dining and recreational facilities, (iii) tenants may expand (or contract) their business within a park, enabling them to centralize business functions and (iv) a park provides tenants with access to other tenants and may facilitate business relationships between tenants. The properties also include 15 Class A CBD office properties encompassing approximately 5.1 million rentable square feet. The CBD office properties consist of five properties located in New York City, eight properties located in Stamford, CT and two properties located in White Plains, NY. Additionally, the properties include 101 industrial / R&D properties encompassing approximately 6.7 million rentable square feet, of which 71 of these properties, or 58% as measured by square footage, are located within the Company's three industrial parks. The properties also include two retail properties comprising approximately 20,000 rentable square feet. The Company also owns a 355,000 square foot office property located in Orlando, Florida.

Through its ownership of properties in the key CBD and suburban office markets in the Tri-State Area, the Company believes it has a unique competitive advantage as the trend toward the regional decentralization of the workplace increases. Due to the events of September 11, 2001, as well as technological advances which further enable decentralization, companies are strategically re-evaluating the benefits and feasibility of regional decentralization and reassessing their long-term space needs. The Company believes this multi-location regional decentralization will continue to take place,

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increasing as companies begin to have better visibility as to the future of the economy, further validating our regional strategy of maintaining a significant market share in each of the key CBD and suburban office markets in the Tri-State Area.

The Company also owns approximately 338 acres of land in 14 separate parcels of which the Company can develop approximately 3.2 million square feet of office space and approximately 470,000 square feet of industrial space. The Company is currently evaluating alternative land uses for certain of the land holdings to realize the highest economic value. These alternatives may include rezoning certain land parcels from commercial to residential for potential disposition. As of December 31, 2002, the Company had invested approximately \$121.2 million in these development projects. Management has made subjective assessments as to the value and recoverability of these investments based on current and proposed development plans, market comparable land values and alternative use values. The Company

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has capitalized approximately \$10.5 million for the year ended December 31, 2002 related to real estate taxes, interest and other carrying costs related to these development projects. Since the IPO, the Company has developed, redeveloped, renovated or repositioned 27 properties encompassing approximately 5.3 million square feet of office and industrial / R&D space.

The Company holds a \$17.0 million note receivable which bears interest at 11.5% per annum and is secured by a minority partnership interest in Omni Partners, L. P., owner of the Omni, a 579,000 square foot Class A office property located in Uniondale, N.Y., effectively increasing its economic interest in the property owning partnership (the "Omni Note"). The Company currently owns a 60% majority partnership interest in Omni Partners, L.P. and on March 14, 2007 may exercise an option to acquire the remaining 40% interest for a price based on 90% of the fair market value of the property. The Company also holds three other notes receivable aggregating \$36.5 million which bear interest at rates ranging from 10.5% to 12% per annum and are secured in part by a minority partner's preferred unit interest in the Operating Partnership, certain interest in real property and a personal guaranty (the "Other Notes" and collectively with the Omni Note, the "Note Receivable Investments"). As of December 31, 2002, management has made subjective assessments as to the underlying security value on the Company's Note Receivable Investments. Based on these assessments the Company's management believes there is no impairment to the carrying value related to the Company's Note Receivable Investments. The Company also owns a 355,000 square foot office building in Orlando, Florida. This non-core real estate holding was acquired in May 1999 in connection with the Company's initial New York City portfolio acquisition. This property is cross collateralized under a \$103 million mortgage note payable along with one of the Company's New York City buildings.

The Company also owns a 60% non-controlling interest in a 172,000 square foot office building located at 520 White Plains Road in White Plains, New York (the "520JV") which it manages. The remaining 40% interest is owned by JAH Realities L.P. Jon Halpern, the CEO and a director of HQ Global Workplaces, is a partner in JAH Realities, L.P. As of December 31, 2002, the 520JV had total assets of \$21.0 million, a mortgage note payable of \$12.5 million and other liabilities of \$197,000. The Company's allocable share of the 520JV mortgage note payable is approximately \$7.5 million. This mortgage note payable bears interest at 8.85% per annum and matures on September 1, 2005. In addition, the 520JV had total revenues of \$4.2 million and \$4.0 million and total expenses of \$3.3 million and \$3.3 million for the years ended December 31, 2002 and 2001,

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respectively. The operating agreement of the 520JV requires joint decisions from all members on all significant operating and capital decisions including sale of the property, refinancing of the property's mortgage debt, development and approval of leasing strategy and leasing of rentable space. As a result of the decision-making participation relative to the operations of the property, the Company accounts for the 520JV under the equity method of accounting. The 520JV contributed approximately \$648,000 and \$478,000 to the Company's equity in earnings of real estate joint ventures for the year ended December 31, 2002 and 2001, respectively.

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

During September 2000, the Company formed a joint venture (the "Tri-State JV") with Teachers Insurance and Annuity Association ("TIAA") and contributed nine Class A suburban office properties aggregating approximately 1.5 million square feet to the Tri-State JV for a 51% majority ownership interest. TIAA contributed approximately \$136 million for a 49% interest in the Tri-State JV which was then distributed to the Company. The Company is responsible for managing the day-to-day operations and business affairs of the Tri-State JV and has substantial rights in making decisions affecting the properties such as leasing, marketing and financing. The minority member has certain rights primarily intended to protect its investment. For purposes of its financial statements the Company consolidates the Tri-State JV.

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

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million of its proportionate share of secured mortgage debt and approximately \$98.4 million of cash which was then distributed to the Company. The Company is responsible for managing the day-to-day operations and business affairs of the 919JV and has substantial rights in making decisions affecting the property such as developing a budget, leasing and marketing. The minority member has certain rights primarily intended to protect its investment. For purposes of its financial statements the Company consolidates the 919JV.

As of December 31, 2001, the Company has invested approximately \$59.8 million in REIT-qualified joint ventures with Reckson Strategic Venture Partners, LLC ("RSVP"), a real estate venture capital fund created in 1997 as a research and development vehicle for the Company to invest in alternative real estate sectors outside the Company's core office and industrial focus (see Recent Developments-Other Investing Activities).

All of the Company's interests in its properties, land held for development, the Note Receivable Investments and joint ventures 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, 2002, owned approximately 89.5% of the Operating Partnership's outstanding common units of limited partnership interest ("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

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Company has established an unsecured credit facility (the "Credit Facility") with a maximum borrowing amount of \$500 million scheduled to mature on December 30, 2005. The Credit Facility requires the Company to comply with a number of financial and other covenants on an ongoing basis.

The Company maintains access to unsecured debt markets through its investment grade ratings. The Company's ratings as of December 31, 2002 from the major rating organizations are as follows:

RATING ORGANIZATION	RATING	OUTLOOK
Moody's	Baa3	Stable
Standard & Poor's	BBB-	Stable

These security ratings are not a recommendation to buy, sell or hold the Company's securities and they are subject to revision or withdrawal at any time by the rating organization. Ratings assigned by every rating organization have their own meaning within the organization's overall classification system. Each rating should be evaluated independently of any other rating.

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, 2002, the Company had 303 employees.

The Company makes certain filings with the Securities and Exchange Commission, including its annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and all amendments to those reports, available free of charge through its website, www.reckson.com, as soon as reasonably practicable after they are filed with the Securities and Exchange Commission. The Company's annual report to shareholders, press releases and recent presentations are also available free of charge on the website.

RECENT DEVELOPMENTS

Acquisitions, Dispositions and Investing Activities

On April 1, 2002, the Company paid approximately \$23.8 million to acquire 52.7 acres of land located in Valhalla, NY on which the Company can develop approximately 875,000 square feet of office space. The Company currently owns and operates three buildings encompassing approximately 700,000 square

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feet in the same office park in which this land parcel is located. This acquisition was financed in part from the sales proceeds of an office property being held by a qualified intermediary for the purposes of an exchange of real property pursuant to Section 1031 of the Internal Revenue Code and from an advance under the Credit Facility.

On August 7, 2002, the Company sold an industrial property on Long Island aggregating approximately 32,000 square feet for approximately \$1.8 million. This property was sold to the sole tenant of the property through an option contained in the tenant's lease. On August 8, 2002, the Company sold two Class A office properties located in Westchester County, NY aggregating approximately 157,000 square feet for approximately \$18.5 million. Net proceeds from these sales were used to repay borrowings under the Credit Facility and for general corporate purposes.

During February 2003, the Company, through Reckson Construction Group Inc., entered into a contract with an affiliate of First Data Corp. to sell a 19.3-acre parcel of land located in Melville, New York and has been retained by the purchaser to develop a build-to-suit 195,000 square foot office building for aggregate consideration of approximately \$47 million. This transaction is scheduled to close during the first quarter of 2003 and construction of the aforementioned office building is scheduled to commence shortly thereafter.

Other Investing Activities

During 1997, the Company formed FrontLine Capital Group, formerly Reckson Service Industries, Inc. ("FrontLine") and RSVP. RSVP is a real estate venture capital fund which invests primarily in real estate and real estate operating companies outside the Company's core office and industrial focus and whose common equity is held indirectly by FrontLine. In connection with the formation and spin-off of FrontLine, the Operating Partnership established an unsecured credit facility with FrontLine (the "FrontLine Facility") in the amount of \$100 million for FrontLine to use in its investment activities, operations and other general corporate purposes. The Company advanced approximately \$93.4 million under the FrontLine Facility. The Operating Partnership also approved the funding of investments of up to \$100 million relating to RSVP (the "RSVP Commitment"), through RSVP-controlled joint ventures (for REIT-qualified investments) or advances made to FrontLine under an unsecured loan facility (the "RSVP Facility") having terms similar to the FrontLine Facility (advances made under the RSVP Facility and the FrontLine Facility hereafter, the "FrontLine Loans"). During March 2001, the Company increased the RSVP Commitment to \$110 million and as of December 31, 2002, approximately \$109.1 million had been funded through the RSVP Commitment, of which \$59.8 million represents investments by the Company in RSVP-controlled (REIT-qualified) joint ventures and \$49.3 million represents loans made to FrontLine under the RSVP Facility. As of December 31, 2002, interest accrued (net of reserves) under the FrontLine Facility and the RSVP Facility was approximately \$19.6 million. RSVP retained the services of two managing directors to manage RSVP's day to day operations. Prior to the spin off of Frontline, the Company guaranteed certain salary provisions of their employment agreements with RSVP Holdings, LLC, RSVP's common member. The term of these employment agreements is seven years commencing March 5, 1998, provided however, that the term may be earlier terminated after five years upon certain circumstances. The salary for each managing director is \$1 million in the first five years and \$1.6 million in years six and seven.

At June 30, 2001, the Company assessed the recoverability of the FrontLine Loans and reserved approximately \$3.5 million of the interest accrued during the three-month period then ended. In addition, the Company formed a committee of its Board of Directors, comprised solely of independent directors, to consider any actions to be taken by the Company in connection with the

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FrontLine Loans and its investments in joint ventures with RSVP. During the third quarter of 2001, the Company noted a significant deterioration in FrontLine's operations and financial condition and, based on its assessment of value and recoverability and considering the findings and recommendations of the committee and its financial advisor, the Company recorded a \$163 million valuation reserve charge, inclusive of anticipated costs, in its consolidated statements of operations relating to its investments in the FrontLine Loans and joint ventures with RSVP. The Company has discontinued the accrual of interest income with respect to the FrontLine Loans. The Company has also reserved against its share of GAAP equity in earnings from

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the RSVP controlled joint ventures funded through the RSVP Commitment until such income is realized through cash distributions. If the RSVP-controlled joint ventures reported losses, the Company would record its proportionate share of such losses.

At December 31, 2001, the Company, pursuant to Section 166 of the Code, charged off for tax purposes \$70 million of the aforementioned reserve directly related to the FrontLine Facility, including accrued interest. On February 14, 2002, the Company charged off for tax purposes an additional \$38 million of the reserve directly related to the FrontLine Facility, including accrued interest, and \$47 million of the reserve directly related to the RSVP Facility, including accrued interest.

FrontLine is in default under the FrontLine Loans from the Operating Partnership and on June 12, 2002, filed a voluntary petition for relief under Chapter 11 of the U.S. Bankruptcy Code.

As a result of the foregoing, the net carrying value of the Company's investments in the FrontLine Loans and joint venture investments with RSVP, inclusive of the Company's share of previously accrued GAAP equity in earnings on those investments, is approximately \$65 million which was reassessed with no change by management as of December 31, 2002. Such amount has been reflected in investments in service companies and affiliate loans and joint ventures on the Company's consolidated balance sheet. The common and preferred members of RSVP are currently in dispute over certain provisions of the RSVP operating agreement. The members are currently negotiating to restructure the RSVP operating agreement to settle the dispute. There can be no assurances that the members will successfully negotiate a settlement.

Both the FrontLine Facility and the RSVP Facility terminate on June 15, 2003, are unsecured and advances thereunder are recourse obligations of FrontLine. Notwithstanding the valuation reserve, under the terms of the credit facilities, interest accrued on the FrontLine Loans at a rate equal to the greater of (a) the prime rate plus two percent and (b) 12% per annum, with the rate on amounts that were outstanding for more than one year increasing annually at a rate of four percent of the prior year's rate. In March 2001, the credit facilities were amended to provide that (i) interest is payable only at maturity and (ii) the Company may transfer all or any portion of its rights or obligations under the credit facilities to its affiliates. The Company requested these changes as a result of changes in REIT tax laws. As a result of FrontLine's default under the FrontLine Loans, interest on borrowings thereunder accrue at default rates ranging between 13% and 14.5% per annum.

Scott H. Rechler, who serves as Co-Chief Executive Officer and a director of the Company, serves as CEO and Chairman of the Board of Directors of FrontLine.

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

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

Included in these investments is approximately \$16.5 million of cash that has been contributed to the respective RSVP controlled joint ventures or advanced under the RSVP Commitment to FrontLine and is being held, along with cash contributed by the preferred investors.

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Leasing Activity

During the year ended December 31, 2002, the Company executed 255 leases encompassing approximately 2.8 million square feet. The following table summarizes the leasing activity by location and property type:

	NUMBER OF LEASES	LEASED SQUARE FEET	AVERAGE EFFECTIVE RENT (1)
	-----	-----	-----
CBD office properties			
Connecticut	21	131,441	\$ 33.33
New York City	32	264,645	\$ 42.73
Westchester	16	126,233	\$ 23.21
	--	-----	
Subtotal / Weighted average	69	522,319	\$ 35.65
	--	-----	
Suburban office properties			

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Long Island	55	355,304	\$ 25.64
New Jersey	31	387,229	\$ 24.31
Westchester	49	475,345	\$ 21.58
	---	-----	
Subtotal / Weighted average	135	1,217,878	\$ 23.63
	---	-----	
Industrial properties			
Long Island	49	1,033,336	\$ 7.05
New Jersey	2	5,750	\$ 10.30
	---	-----	
Subtotal / Weighted average	51	1,039,086	\$ 7.07
	---	-----	
Total	255	2,779,283	\$ 19.70
	===	=====	

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

Financing Activities

The Company currently has a three year \$500 million unsecured revolving credit facility (the "Credit Facility") from JPMorgan Chase Bank, as administrative agent, Wells Fargo Bank, National Association as syndication agent and Citicorp North America, Inc. and Wachovia Bank, National Association as co-documentation agents. The Credit Facility matures in December 2005, contains options for a one year extension subject to a fee of 25 basis points and, upon receiving additional lender commitments, increasing the maximum revolving credit amount to \$750 million. In addition, borrowings under the Credit Facility are currently priced off LIBOR plus 90 basis points and the Credit Facility carries a facility fee of 20 basis points per annum. In the event of a change in the Operating Partnership's unsecured credit rating the interest rates and facility fee are subject to change. The outstanding borrowings under the Credit Facility were \$267.0 million at December 31, 2002.

The following table sets forth the Company's Applicable Margin, pursuant to the Credit Facility, which indicates the additional respective percentages per annum applied to LIBOR based borrowings determined based on the Operating Partnership's unsecured credit rating:

UNSECURED CREDIT RATING S&P / MOODY'S	APPLICABLE MARGIN
-----	-----
A- /A3 .....	.60%
BBB+ / Baa1 .....	.625%
BBB / Baa2 .....	.70%
BBB- / Baa3 .....	.90%
Below BBB- / Baa3 or unrated	1.20%

The Credit Facility replaced the Company's \$575 million unsecured credit

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facility (the "Prior Facility" and together with the Credit Facility, the "Credit Facility"). As a result, certain deferred loan costs incurred in connection with the Prior Facility were written off. Such amount is reflected as an extraordinary loss in the Company's consolidated statements of operations.

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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, 2002, the Company had availability under the Credit Facility to borrow approximately an additional \$203.0 million subject to compliance with certain financial covenants.

On June 17, 2002, the Operating Partnership issued \$50 million of five-year 6.00% (6.125% effective rate) senior unsecured notes. Net proceeds of approximately \$49.4 million received from this issuance were used to repay outstanding borrowings under the Prior Facility.

Stock and Other Equity Offerings

During the year ended December 31, 2002, approximately 11,303 preferred units of limited partnership interest in the Operating Partnership, with a liquidation preference value of approximately \$11.3 million, were exchanged for 451,934 OP Units at an average price of \$24.66 per OP Unit. In addition, 666,468 OP Units were exchanged for an equal number of shares of the Company's Class A common stock.

The Board of Directors of the Company has authorized the purchase of up to five million shares of the Company's Class A common stock and / or its Class B common stock. It is anticipated that transactions conducted on the New York Stock Exchange will be effected in accordance with the safe harbor provisions of the Securities Exchange Act of 1934 and may be terminated by the Company at any time.

As of December 31, 2002, under this buy-back program, the Company purchased 368,200 shares of Class B common stock at an average price of \$22.90 per Class B share and 2,698,400 shares of Class A common stock at an average price of \$21.60 per Class A share for an aggregate purchase price for both the Class A and Class B common stock of approximately \$66.7 million. As a result of these purchases, annual common stock dividends will decrease by approximately \$5.5 million. Previously, under the Company's prior stock buy-back program, the Company purchased and retired 1,410,804 shares of Class B common stock at an average price of \$21.48 per Class B share and 61,704 shares of Class A common stock at an average price of \$23.03 per Class A share for an aggregate purchase price for both the Class A and Class B common stock of approximately \$31.7 million.

The Board of Directors of the Company has formed a pricing committee to consider purchases of up to \$75 million of the Company's outstanding preferred securities. During October 2002, the Company purchased and retired 357,500 shares of its Series A preferred stock at \$22.29 per share for approximately \$8.0 million. As a result of this purchase, annual preferred dividends will decrease by approximately \$682,000.

CORPORATE STRATEGIES AND GROWTH OPPORTUNITIES

The Company's primary business objectives are to maximize current return

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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's core business strategy is based on a long-term outlook considering real estate is a cyclical business. The Company seeks to accomplish long-term stability and success by developing and maintaining an infrastructure and franchise that is modeled for success over the long-term. This approach allows the Company to recognize different points in the market cycle and adjust our strategy accordingly. Currently, the Company remains cautious about the market environment. With this cautious bias we choose to maintain our conservative strategy of focusing on retaining high occupancies, controlling operating expenses, maintaining a high level of investment discipline and preserving financial flexibility. The Company plans to achieve these objectives by continuing Reckson's corporate strategies and capitalizing on the internal and external growth opportunities as described below.

Corporate Strategies. Management believes that throughout its 40-year operating history, Reckson has created value in its properties through a variety of market cycles by implementing the operating strategies described below. These operating strategies include: (i) a multidisciplinary leasing approach that involves architectural design and construction personnel as well as leasing professionals, (ii)

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innovative marketing programs that strategically position the Company's properties and distinguish its portfolio from the competition, increase brand equity and gain market-share. These cost-effective, high-yield programs include electronic web-casting, targeted outdoor and print media campaigns and sales promotion that enhances broker relationships and influences tenant retention, (iii) a comprehensive tenant service program and property amenities designed to maximize tenant satisfaction and retention, (iv) cost control management and systems that take advantage of economies of scale that arise from the Company's market position and efficiencies attributable to the state-of-the-art energy control systems at many of the office properties, (v) a fully integrated infrastructure of proprietary and property management accounting systems which encompasses technology advanced systems and tools that provides meaningful information, on a real time basis, throughout the entire organization and (vi) an acquisition and development strategy that is continuously adjusted in light of anticipated changes in market conditions and that seeks to capitalize on management's multidisciplinary expertise and market knowledge to modify, upgrade and reposition a property in its marketplace in order to maximize value.

The Company also intends to adhere to a policy of maintaining a stabilized debt ratio over time (defined as the total debt of the Company as a percentage of the sum of the Company's total debt and the market value of its equity) of not more than 50%. As of December 31, 2002, the Company's debt ratio was approximately 44.9%. This calculation is net of minority partners' proportionate share of joint venture debt and including the Company's share of unconsolidated joint venture debt. This debt ratio is intended to provide the Company with financial flexibility to select the optimal source of capital (whether debt or equity) with which to finance external growth.

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

Internal Growth. To the extent New York City, the Long Island, Westchester, New Jersey and Southern Connecticut suburban office and industrial

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markets stabilize and begin to recover with limited new supply, management believes the Company is well positioned to benefit from rental revenue growth through: (i) contractual annual compounding of 3-4% Base Rent increases (defined as fixed gross rental amounts that excludes payments on account of real estate taxes, operating expense escalations and base electrical charges) on approximately 85% of existing leases from its Long Island properties, (ii) periodic contractual increases in Base Rent on existing leases from its Westchester properties, the New Jersey properties, the New York City 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.

Through its ownership of properties in the key CBD and suburban office markets in the Tri-State Area, the Company believes it has a unique competitive advantage as the trend toward the regional decentralization of the workplace increases. Due to the events of September 11, 2001 as well as technological advances which further enable decentralization, companies are strategically re-evaluating the benefits and feasibility of regional decentralization and reassessing their long-term space needs. The Company believes this multi-location regional decentralization will continue to take place, increasing as companies begin to have better visibility as to the future of the economy, further validating our regional strategy of maintaining a significant market share in each of the key CBD and suburban office markets in the Tri-State Area.

External Growth. The Company seeks to acquire multi-tenant ClassA office buildings in New York City and the surrounding Tri-State Area core suburban and CBD markets as well as industrial properties located in the Tri-State Area. Management believes that the Tri-State Area presents future 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 \$500 million and access to unsecured debt markets, (ii) ability to acquire a property for OP Units and thereby defer the seller's income tax on gain, (iii) operating economies of scale, (iv) relationships with financial institutions and private real estate owners, (v) fully integrated operations in its five existing divisions and (vi) its substantial position and franchise in the submarkets in which it owns properties will enhance the Company's ability to identify and capitalize on acquisition opportunities. The Company also intends to

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selectively develop new ClassA suburban and CBD office and industrial properties and to continue to redevelop existing properties as these opportunities arise. The Company will concentrate its development activities on industrial and ClassA suburban and CBD office properties within the Tri-State Area. The Company's expansion into the New York City office market has provided it with future 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 capabilities 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.

In addition, when valuations for commercial real estate properties are high, the Company will seek to sell certain properties or interests therein to realize value and profit created. The Company will then seek opportunities to reinvest the capital realized from these dispositions back into value-added assets in the Company's core Tri-State Area markets, as well as pursue its stock repurchase program.

ENVIRONMENTAL MATTERS

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

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

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ITEM 2. PROPERTIES

General

As of December 31, 2002 the Company owned 178 properties (including 11 joint venture properties) in the Tri-State Area suburban and CBD markets, encompassing approximately 20.3 million rentable square feet, all of which are managed by the Company. The properties include 60 Class A suburban office properties encompassing approximately 8.5 million rentable square feet, of which 42 of these properties, or 74% as measured by square footage, are located within the Company's ten office parks. Reckson has historically emphasized the development and acquisition of properties that are part of large-scale suburban office parks. The Company believes that owning properties in planned office and industrial parks provides certain strategic advantages, including the following: (i) certain tenants prefer being located in a park with other high quality companies to enhance their corporate image, (ii) parks afford tenants certain aesthetic amenities such as a common landscaping plan, standardization

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of signage and common dining and recreational facilities, (iii) tenants may expand (or contract) their business within a park, enabling them to centralize business functions and (iv) a park provides tenants with access to other tenants and may facilitate business relationships between tenants. The properties also include 15 Class A CBD office properties encompassing approximately 5.1 million rentable square feet. The CBD office properties consist of five properties located in New York City, eight properties located in Stamford, CT and two properties located in White Plains, NY. Additionally, the Company owns 101 industrial properties encompassing approximately 6.7 million rentable square feet, of which 71 of these properties, or 58% as measured by square footage, are located within the Company's three industrial parks. The properties also include two retail properties comprising approximately 20,000 rentable square feet. The Company also owns a 355,000 square foot office property located in Orlando, Florida.

Set forth below is a summary of certain information relating to the Company's properties, categorized by office and industrial properties, as of December 31, 2002.

OFFICE PROPERTIES

General

As of December 31, 2002, the Company owned or had an interest in 60 Class A suburban office properties encompassing approximately 8.5 million square feet and 15 Class A CBD office properties encompassing approximately 5.1 million square feet. As of December 31, 2002, the office properties were approximately 95.7% leased (percent leased excludes properties under development) to approximately 979 tenants.

The office properties are Class A office buildings and are well-located, well-maintained and professionally managed. In addition, these properties are modern with high finishes and achieve among the highest rent, occupancy and tenant retention rates within their sub-markets. Forty two of the 60 suburban office properties are located within the Company's ten office parks. The buildings in these office parks offer a full array of amenities including health clubs, racquetball courts, sun decks, restaurants, computer controlled HVAC access systems and conference centers. Management believes that the location, quality of construction and amenities as well as the Company's reputation for providing a high level of tenant service have enabled the Company to attract and retain a national tenant base. The office tenants include national companies representing all major industry groups including consumer products, financial services, pharmaceuticals, health care, telecommunication and technology and insurance and service companies, such as "Big Four" accounting firms and major law firms. The 15 Class A CBD office properties consist of five properties located in New York City, eight properties located in Stamford, CT and two properties located in White Plains, NY.

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

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

The following table sets forth certain information as of December 31, 2002 for each of the office properties.

	PERCENTAGE OWNERSHIP	OWNERSHIP INTEREST (GROUND LEASE EXPIRATION DATE) (1)	YEAR CONSTRUCTED	LAND AREA (ACRES)
Leases Suburban Office Properties:				
Huntington Melville Corporate Center				
395 North Service Rd, Melville, NY	100%	Lease (2081)	1988	7.5
200 Broadhollow Rd, Melville, NY	100%	Fee	1981	4.6
48 South Service Rd, Melville, NY	100%	Fee	1986	7.3
35 Pinelawn Rd, Melville, NY	100%	Fee	1980	6.0
275 Broadhollow Rd, Melville, NY	51%	Fee	1970	5.8
58 South Service Rd, Melville, NY	100%	Fee	2000	16.5
1305 Old Walt Whitman Rd, Melville, NY	51%	Fee	1998 (3)	18.1

Total- Huntington Meville Corporate Center				65.8
North Shore Atrium				
6800 Jericho Turnpike, Syosset, NY	100%	Fee	1977	13.0
6900 Jericho Turnpike, Syosset, NY	100%	Fee	1982	5.0

Total-North Shore Atrium				18.0
Nassau West Corporate Center				
50 Charles Lindbergh Blvd., Mitchel Field, NY	100%	Lease (2082)	1984	9.1
60 Charles Lindbergh Blvd., Mitchel Field, NY	100%	Lease (2082)	1989	7.8
51 Charles Lindbergh Blvd., Mitchel Field, NY	100%	Lease (2084)	1989	6.6
55 Charles Lindbergh Blvd., Mitchel Field, NY	100%	Lease (2082)	1982	10.0
333 Earl Ovington Blvd., Mitchel Field, NY	60%	Lease (2088)	1991	30.6
90 Merrick Ave., Mitchel Field, NY	51%	Lease (2084)	1985	13.2

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Total-Nassau West Corporate Center.....					77.3
Tarrytown Corporate Center					
505 White Plains Rd., Tarrytown, NY	100%	Fee	1974	1.4	
520 White Plains Rd., Tarrytown, NY	60%	Fee (4)	1981	6.8	
555 White Plains Rd., Tarrytown, NY	100%	Fee	1972	4.2	
560 White Plains Rd., Tarrytown, NY	100%	Fee	1980	4.0	
580 White Plains Rd., Tarrytown, NY	100%	Fee	1977	6.1	
660 White Plains Rd., Tarrytown, NY	100%	Fee	1983	10.9	

Total-Tarrytown Corporate Center					33.4
Reckson Executive Park					
1 International Dr., Ryebrook, NY	100%	Fee	1983	N/A	
2 International Dr., Ryebrook, NY	100%	Fee	1983	N/A	
3 International Dr., Ryebrook, NY	100%	Fee	1983	N/A	
4 International Dr., Ryebrook, NY	100%	Fee	1986	N/A	
5 International Dr., Ryebrook, NY	100%	Fee	1986	N/A	
6 International Dr., Ryebrook, NY	100%	Fee	1986	N/A	

Total-Reckson Executive Park					44.4

	NUMBER OF FLOORS (FEET)	RENTABLE SQUARE FEET	PERCENT LEASED	ANNUAL BASE RENT (2)	AN R P LE SQ.

Leases Suburban Office Properties:					
Huntington Melville Corporate Center					
395 North Service Rd, Melville, NY	4	185,094	100.0%	\$ 5,120,325	\$ 2
200 Broadhollow Rd, Melville, NY	4	67,895	100.0%	\$ 1,544,676	\$ 2
48 South Service Rd, Melville, NY	4	126,664	100.0%	\$ 2,955,872	\$ 2
35 Pinelawn Rd, Melville, NY	2	106,296	97.6%	\$ 1,986,613	\$ 1
275 Broadhollow Rd, Melville, NY	4	126,250	100.0%	\$ 3,019,668	\$ 2
58 South Service Rd, Melville, NY	4	281,279	74.1%	\$ 6,615,411	\$ 2
1305 Old Walt Whitman Rd, Melville, NY	3	164,166	100.0%	\$ 4,408,597	\$ 2
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Total- Huntington Melville Corporate Center		1,057,644	92.9%	\$25,651,162	\$ 2

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North Shore Atrium					
6800 Jericho Turnpike,					
Syosset, NY	2	204,331	100.0%	\$ 4,043,134	\$ 1
6900 Jericho Turnpike,					
Syosset, NY	4	94,945	93.5%	\$ 1,966,100	\$ 2
		-----	-----	-----	-----
Total-North Shore Atrium		299,276	97.9%	\$ 6,009,233	\$ 2
Nassau West Corporate Center					
50 Charles Lindbergh Blvd.,					
Mitchel Field, NY	6	213,006	93.7%	\$ 4,893,918	\$ 2
60 Charles Lindbergh Blvd.,					
Mitchel Field, NY	2	195,570	100.0%	\$ 4,923,880	\$ 2
51 Charles Lindbergh Blvd.,					
Mitchel Field, NY	1	108,000	100.0%	\$ 2,508,903	\$ 2
55 Charles Lindbergh Blvd.,					
Mitchel Field, NY	2	214,581	100.0%	\$ 2,757,057	\$ 1
333 Earl Ovington Blvd.,					
Mitchel Field, NY	10	578,798	94.9%	\$15,626,736	\$ 2
90 Merrick Ave.,					
Mitchel Field, NY	9	232,419	97.3%	\$ 5,926,057	\$ 2
		-----	-----	-----	-----
Total-Nassau West Corporate Center.....		1,542,374	96.8%	\$36,636,550	\$ 2
Tarrytown Corporate Center					
505 White Plains Rd.,					
Tarrytown, NY	2	26,319	88.3%	\$ 369,967	\$ 1
520 White Plains Rd.,					
Tarrytown, NY	6	156,034	100.0%	\$ 3,723,762	\$ 2
555 White Plains Rd.,					
Tarrytown, NY	5	121,815	90.8%	\$ 2,620,174	\$ 2
560 White Plains Rd.,					
Tarrytown, NY	6	124,049	84.5%	\$ 2,335,277	\$ 1
580 White Plains Rd.,					
Tarrytown, NY	6	169,446	100.0%	\$ 3,333,977	\$ 1
660 White Plains Rd.,					
Tarrytown, NY	6	253,226	89.8%	\$ 5,401,627	\$ 2
		-----	-----	-----	-----
Total-Tarrytown Corporate Center		850,889	93.0%	\$17,784,785	\$ 2
Reckson Executive Park					
1 International Dr.,					
Ryebrook, NY	3	90,000	100.0%	\$ 1,260,000	\$ 1
2 International Dr.,					
Ryebrook, NY	3	90,000	100.0%	\$ 1,260,000	\$ 1
3 International Dr.,					
Ryebrook, NY	3	91,193	100.0%	\$ 2,128,033	\$ 2
4 International Dr.,					
Ryebrook, NY	3	87,805	90.7%	\$ 1,954,873	\$ 2
5 International Dr.,					
Ryebrook, NY	3	90,000	100.0%	\$ 2,332,500	\$ 2
6 International Dr.,					
Ryebrook, NY	3	94,753	79.3%	\$ 1,582,612	\$ 1
		-----	-----	-----	-----
Total-Reckson Executive Park		543,751	94.9%	\$10,518,019	\$ 1

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OWNERSHIP
INTEREST

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	PERCENTAGE OWNERSHIP	(GROUND LEASE EXPIRATION DATE) (1)	YEAR CONSTRUCTED	LAND AREA (ACRES)
Summit at Valhalla				
100 Summit Dr., Valhalla, NY	100%	Fee	1988	11.3
200 Summit Dr., Valhalla, NY	100%	Fee	1990	18.0
500 Summit Dr., Valhalla, NY	100%	Fee	1986	29.1

Total-Summit at Valhalla				58.4
Mt. Pleasant Corporate Center				
115/117 Stevens Ave., Mt. Pleasant, NY	100%	Fee	1984	5.0

Total-Mt Pleasant Corporate Center				5.0
Stand-alone Long Island properties:				
400 Garden City Plaza, Garden City, NY	51%	Fee	1989	5.7
88 Duryea Road, Melville, NY	100%	Fee	1986	1.5
310 East Shore Rd., Great Neck, NY	100%	Fee	1981	1.5
333 East Shore Rd., Great Neck, NY	100%	Lease (2030)	1976	1.5
520 Broadhollow Rd., Melville, NY	100%	Fee	1978	7.0
1660 Walt Whitman Rd., Melville, NY	100%	Fee	1980	6.5
150 Motor Parkway, Hauppauge, NY .	100%	Fee	1984	11.3
120 Mineola Blvd., Mineola, NY	100%	Fee	1989	0.7
538 Broadhollow Rd., Melville, NY	100%	Fee	1986	7.5
50 Marcus Dr., Melville, NY	100%	Fee	2000	12.9

Total-Stand-alone Long Island				56.1
Stand-alone Westchester				
120 White Plains Rd., Tarrytown, NY	51%	Fee	1984	9.7
80 Grasslands, Elmsford, NY	100%	Fee	1989	4.9

Total-Stand-alone Westchester				14.6
Executive Hill Office Park				
100 Executive Dr., Rt. 280 Corridor, NJ	100%	Fee	1978	10.1
200 Executive Dr., Rt. 208 Corridor, NJ	100%	Fee	1980	8.2
300 Executive Dr., Rt. 280 Corridor, NJ	100%	Fee	1984	8.7
10 Rooney Circle, Rt. 280 Corridor, NJ	100%	Fee	1971	5.2

Total-Executive Hill Office Park				32.2
University Square Princeton				
100 Campus Dr., Princeton/Rt. 1 Corridor, NJ	100%	Fee	1987	N/A

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104 Campus Dr., Princeton/Rt. 1 Corridor, NJ	100%	Fee	1987	N/A
115 Campus Dr., Princeton/Rt. 1 Corridor, NJ	100%	Fee	1987	N/A

Total- University Square				11.0
Short Hills Office Complex				
101 John F. Kennedy Parkway, Short Hills, NJ	100%	Fee	1981	9.0
103 John F. Kennedy Parkway, Short Hills, NJ (3)	100%	Fee	1981	6.0
51 John F Kennedy Parkway, Short Hills, NJ	51%	Fee	1988	11.0

Total- Short Hills Office				26.0
Stand-alone New Jersey Properties				
99 Cherry Hill Road, Parsippany, NJ	100%	Fee	1982	8.8
119 Cherry Hill Rd, Parsippany, NJ	100%	Fee	1982	9.3
One Eagle Rock, Hanover, NJ	100%	Fee	1986	10.4
3 University Plaza, Hackensack, NJ	100%	Fee	1985	10.6
1255 Broad ST., Clifton, NJ	100%	Fee	1968	11.1
492 River Rd., Nutley, NJ	100%	Fee	1952	17.3

Total- Stand-alone NJ Properties				67.5
Total Suburban Office Properties				509.7

	NUMBER OF FLOORS (FEET)	RENTABLE SQUARE FEET	PERCENT LEASED	ANNUAL BASE RENT (2)	AN R P LE SQ.

Summit at Valhalla					
100 Summit Dr., Valhalla, NY	4	248,174	87.3%	\$ 5,408,368	\$ 2
200 Summit Dr., Valhalla, NY	4	233,391	100.0%	\$ 3,034,932	\$ 1
500 Summit Dr., Valhalla, NY	4	208,660	100.0%	\$ 5,425,160	\$ 2
		-----	-----	-----	-----
Total-Summit at Valhalla		690,225	95.4%	\$ 13,868,460	\$ 2
Mt. Pleasant Corporate Center					
115/117 Stevens Ave., Mt. Pleasant, NY	3	166,237	95.5%	\$ 3,444,106	\$ 2
		-----	-----	-----	-----
Total-Mt Pleasant Corporate Center		166,237	95.5%	\$ 3,444,106	\$ 2
Stand-alone Long Island properties:					
400 Garden City Plaza, Garden City, NY	5	172,757	100%	\$ 4,289,767	\$ 2
88 Duryea Road, Melville, NY	2	23,878	100%	\$ 475,195	\$ 1
310 East Shore Rd.,					

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Great Neck, NY	4	50,108	98.1%	\$ 1,274,544	\$ 2
333 East Shore Rd.,					
Great Neck, NY	2	17,650	100.0%	\$ 358,772	\$ 2
520 Broadhollow Rd.,					
Melville, NY	1	85,784	100.0%	\$ 1,812,368	\$ 2
1660 Walt Whitman Rd.,					
Melville, NY	1	74,360	85.4%	\$ 1,182,684	\$ 1
150 Motor Parkway, Hauppauge, NY	4	185,475	90.4%	\$ 3,376,724	\$ 1
120 Mineola Blvd.,					
Mineola, NY	6	101,572	94.1%	\$ 2,275,057	\$ 2
538 Broadhollow Rd.,					
Melville, NY	4	180,281	69.2%	\$ 2,574,315	\$ 1
50 Marcus Dr.,					
Melville, NY	2	163,762	100.0%	\$ 2,125,904	\$ 1
Total-Stand-alone Long Island		1,055,627	91.4%	\$ 19,745,330	\$ 1
Stand-alone Westchester					
120 White Plains Rd.,					
Tarrytown, NY	6	203,788	96.3%	\$ 4,367,366	\$ 2
80 Grasslands, Elmsford, NY	3	87,114	100.0%	\$ 1,847,983	\$ 2
Total-Stand-alone Westchester		290,902	97.4%	\$ 6,215,349	\$ 2
Executive Hill Office Park					
100 Executive Dr.,					
Rt. 280 Corridor, NJ	3	93,285	89.3%	\$ 1,606,181	\$ 1
200 Executive Dr.,					
Rt. 208 Corridor, NJ	4	105,612	100.0%	\$ 1,919,584	\$ 1
300 Executive Dr.,					
Rt. 280 Corridor, NJ	4	124,636	89.0%	\$ 2,610,373	\$ 2
10 Rooney Circle,					
Rt. 280 Corridor, NJ	3	70,716	78.9%	\$ 1,348,889	\$ 1
Total-Executive Hill Office Park		394,249	90.2%	\$ 7,485,026	\$ 1
University Square Princeton					
100 Campus Dr.,					
Princeton/Rt. 1 Corridor, NJ	1	27,888	100.0%	\$ 648,433	\$ 2
104 Campus Dr.,					
Princeton/Rt. 1 Corridor, NJ	1	70,239	100.0%	\$ 1,663,171	\$ 2
115 Campus Dr.,					
Princeton/Rt. 1 Corridor, NJ	1	33,600	100.0%	\$ 834,759	\$ 2
Total- University Square		131,727	100.0%	\$ 3,146,363	\$ 2
Short Hills Office Complex					
101 John F. Kennedy Parkway,					
Short Hills, NJ	6	195,000	100.0%	\$ 3,446,625	\$ 1
103 John F. Kennedy Parkway,					
Short Hills, NJ (3)	4	123,000	100.0%	\$ 3,833,500	\$ 3
51 John F Kennedy Parkway,					
Short Hills, NJ	5	250,642	97.6%	\$ 8,971,534	\$ 3
Total- Short Hills Office		568,642	98.9%	\$ 16,251,659	\$ 2
Stand-alone New Jersey Properties					
99 Cherry Hill Road,					
Parsippany, NJ	3	93,355	73.6%	\$ 1,595,179	\$ 1
119 Cherry Hill Rd,					
Parsippany, NJ	3	95,665	97.8%	\$ 1,441,617	\$ 1
One Eagle Rock,					
Hanover, NJ	3	142,438	100.0%	\$ 3,049,825	\$ 2
3 University Plaza,					
Hackensack, NJ	6	219,550	94.9%	\$ 4,730,404	\$ 2
1255 Broad ST.,					
Clifton, NJ	2	193,574	100.0%	\$ 4,259,924	\$ 2

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492 River Rd., Nutley, NJ	13	130,009	100.0%	\$ 2,177,651	\$ 1
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Total- Stand-alone NJ Properties		874,591	95.7%	\$ 17,254,600	\$ 1
Total Suburban Office Properties		8,466,134	94.8%	\$184,010,642	\$ 2

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	PERCENTAGE OWNERSHIP	OWNERSHIP INTEREST (GROUND LEASE EXPIRATION DATE) (1)	YEAR CONSTRUCTED	LAND AREA (ACRES)
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CBD Office Properties:				
Landmark Square				
One Landmark Sq., Stamford, CT	100%	Fee	1973	N/A
Two Landmark Sq., Stamford, CT	100%	Fee	1976	N/A
Three Landmark Sq., Stamford, CT	100%	Fee	1978	N/A
Four Landmark Sq., Stamford, CT	100%	Fee	1977	N/A
Five Landmark Sq., Stamford, CT	100%	Fee	1976	N/A
Six Landmark Sq., Stamford, CT	100%	Fee	1984	N/A

Total- Landmark Square				7.2
Stamford Towers:				
680 Washington Blvd, Stamford, CT	51%	Fee	1989	1.3
750 Washington Blvd, Stamford, CT	51%	Fee	1989	2.4
Total-Stamford Towers				3.7
Stand-alone Westchester				
360 Hamilton Ave., White Plains, NY	100%	Fee	1977	1.5
140 Grand ST., White Plains, NY	100%	Fee	1991	2.2

Total-Stand-alone Westchester				3.7
New York City Office Properties				
120 W. 45th ST., New York, NY	100%	Fee	1989	0.4
100 Wall ST., New York, NY	100%	Fee	1969	0.5
810 Seventh Ave., New York, NY	100%	Fee (5)	1970	0.6
919 Third Ave., New York, NY	100%	Fee (6)	1971	1.5
1350 Ave. of the Americas, New York, NY	100%	Fee	1966	0.6

Total-New York City Office Properties				3.6
Total CBD Office Properties				18.2

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Total-Office Properties 527.9

	NUMBER OF FLOORS (FEET)	RENTABLE SQUARE FEET	PERCENT LEASED	ANNUAL BASE RENT (2)	S
CBD Office Properties:					
Landmark Square					
One Landmark Sq., Stamford, CT	22	280,661	98.3%	\$ 7,037,786	\$
Two Landmark Sq., Stamford, CT	3	36,889	83.2%	\$ 795,071	\$
Three Landmark Sq., Stamford, CT	6	128,887	95.8%	\$ 3,212,338	\$
Four Landmark Sq., Stamford, CT	5	98,054	95.3%	\$ 1,966,176	\$
Five Landmark Sq., Stamford, CT	3	58,000	100.0%	\$ 310,536	\$
Six Landmark Sq., Stamford, CT	10	168,180	99.5%	\$ 4,001,941	\$
Total- Landmark Square		770,671	97.2%	\$ 17,323,849	\$
680 Washington Blvd, Stamford, CT	11	132,759	100%	\$ 4,000,443	\$
750 Washington Blvd, Stamford, CT	11	185,901	98.2%	\$ 4,555,349	\$
Total-Stamford Towers		318,660	98.9%	\$ 8,555,792	\$
Stand-alone Westchester					
360 Hamilton Ave., White Plains, NY	12	381,257	91.0%	\$ 8,505,931	\$
140 Grand ST., White Plains, NY	9	123,827	95.9%	\$ 2,943,592	\$
Total-Stand-alone Westchester		505,084	92.2%	\$ 11,449,523	\$
New York City Office Properties					
120 W. 45th ST., New York, NY	40	441,175	97.0%	\$ 16,866,305	\$
100 Wall ST., New York, NY	29	457,678	100.0%	\$ 14,199,700	\$
810 Seventh Ave., New York, NY	42	690,977	97.0%	\$ 22,693,099	\$
919 Third Ave., New York, NY	47	1,355,239	100.0%	\$ 58,949,836	\$
1350 Ave. of the Americas, New York, NY	35	543,415	91.9%	\$ 17,288,113	\$
Total-New York City Office Properties		3,488,484	97.8%	\$129,997,053	\$
Total CBD Office Properties		5,082,899	97.2%	\$167,326,216	\$
Total-Office Properties		13,549,033	95.7%	\$351,336,858	\$

-
- (1) Ground lease expirations assume exercise of renewal options by the lessee.
 - (2) Represents Base Rent, net of electric reimbursement, of signed leases at December 31, 2002 adjusted for scheduled contractual increases during the 12 months ending December 31, 2003. Total Base Rent for these purposes reflects the effect of any lease expirations that occur during the 12-month period ending December 31, 2003. Amounts included in rental

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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) Year renovated.
- (4) The actual fee interest in is held by the County of Westchester Industrial Development Agency. The fee interest in 520 White Plains Road may be acquired if the outstanding principal under certain loan agreements and annual basic installments are prepaid in full.
- (5) There is a ground lease in place on a small portion of the land which expires in 2044.
- (6) There is a ground lease in place on a small portion of the land which expires in 2066.

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INDUSTRIAL / R&D PROPERTIES

General

As of December 31, 2002, the Company owned or had an interest in 101 industrial / R&D properties that encompass approximately 6.7 million rentable square feet. As of December 31, 2002, the industrial / R&D properties were approximately 94.7% leased (percentage leased excludes properties under development) to approximately 239 tenants. Many of these 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 / R&D properties are leased to both national and local tenants. These tenants utilize these properties for distribution, warehousing, research and development and light manufacturing / assembly activities. Leases on the industrial / R&D properties are typically written for terms ranging from three to seven years and require: (i) payment of a Base Rent, (ii) payments of real estate tax escalations over a base year, (iii) payments of compounded annual increases to Base Rent and (iv) reimbursement of all operating expenses. Electric costs are generally borne and paid directly by the tenant. Certain leases are "triple net" (i.e., the tenant is required to pay in addition to annual Base Rent, all operating expenses and real estate taxes). In virtually all of the industrial / R&D 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%, as measured by square footage, of the industrial / R&D properties, are located on Long Island. Fifty-eight percent of these properties, as measured by square footage, are located in the following three industrial parks developed by Reckson, the predecessor to the Company: (i) Vanderbilt Industrial Park, (ii) Airport International Plaza and (iii) County Line Industrial Center.

In addition to the industrial / R&D properties on Long Island, the Company owns eight industrial properties encompassing approximately 912,000 square feet in the other suburban markets.

The following table sets forth certain information as of December 31, 2002 for each of the industrial properties.

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	PERCENTAGE OWNERSHIP	OWNERSHIP INTEREST (GROUND LEASE EXPIRATION DATE) (1)	YEAR CONSTRUCTED	LAND AREA (ACRES)	CLEARANCE HEIGHT (FEET)		
LONG ISLAND INDUSTRIAL							
Airport Industrial Plaza							
110 Orville Dr., Islip, NY	100.0%	Fee	1979	6.4	24		
1101 Lakeland Ave., Islip, NY	100.0%	Fee	1983	4.9	20		
120 Wilbur Place, Islip, NY	100.0%	Fee	1972	2.8	16		
125 Wilbur Place, Islip, NY	100.0%	Fee	1977	4.0	16		
1385 Lakeland Ave., Islip, NY	100.0%	Fee	1973	2.4	16		
140 Wilbur Place, Islip, NY	100.0%	Fee	1973	3.1	20		
160 Wilbur Place, Islip, NY	100.0%	Fee	1978	3.9	16		
170 Wilbur Place, Islip, NY	100.0%	Fee	1979	4.9	16		
180 Orville Dr., Islip, NY	100.0%	Fee	1982	2.3	16		
20 Orville Dr., Islip, NY	100.0%	Fee	1978	1.0	16		
2002 Orville Drive North, Islip, NY	100.0%	Fee	2000	15.8	24		
2004 Orville Drive North, Islip, NY	100.0%	Fee	1998	7.4	24		
2005 Orville Drive North, Islip, NY	100.0%	Fee	1999	8.7	24		
25 Orville Dr., Islip, NY	100.0%	Fee	1970	2.2	16		
4040 Veterans Highway, Islip, NY	100.0%	Fee	1972	1.0	14		
50 Orville Dr., Islip, NY	100.0%	Fee	1976	1.6	15		
	RESEARCH AND DEVELOPMENT FINISH	RENTABLE SQUARE FEET	PERCENT LEASED	ANNUAL BASE RENT (2)	ANNUAL RENT PER LEASED SQ. FT.	NUMBER OF TENANT LEASES	
LONG ISLAND INDUSTRIAL							
Airport Industrial Plaza							
110 Orville Dr., Islip, NY	80%	110,000	100.0%	\$ 685,667	\$ 6.23	1	
1101 Lakeland Ave., Islip, NY	65%	90,411	100.0%	\$ 567,419	\$ 6.28	1	
120 Wilbur Place, Islip, NY	62%	34,866	100.0%	\$ 251,070	\$ 7.20	4	
125 Wilbur Place, Islip, NY	45%	61,698	86.9%	\$ 304,521	\$ 4.94	9	
1385 Lakeland Ave.,							

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Islip, NY	9%	35,000	78.6%	\$ 202,783	\$ 5.79	3
140 Wilbur Place, Islip, NY	33%	48,500	100.0%	\$ 316,495	\$ 6.53	2
160 Wilbur Place, Islip, NY	87%	62,710	100.0%	\$ 560,665	\$ 8.94	2
170 Wilbur Place, Islip, NY	30%	72,203	100.0%	\$ 470,721	\$ 6.52	5
180 Orville Dr., Islip, NY	4%	37,612	100.0%	\$ 210,214	\$ 5.59	2
20 Orville Dr., Islip, NY	100%	12,900	100.0%	\$ 196,548	\$ 15.24	1
2002 Orville Drive North, Islip, NY	11%	206,005	100.0%	\$1,797,445	\$ 8.73	2
2004 Orville Drive North, Islip, NY	10%	106,515	100.0%	\$ 397,934	\$ 3.74	1
2005 Orville Drive North, Islip, NY	20%	130,010	100.0%	\$1,023,169	\$ 7.87	1
25 Orville Dr., Islip, NY	100%	33,655	100.0%	\$ 523,115	\$ 15.54	1
4040 Veterans Highway, Islip, NY	100%	2,800	100.0%	\$ 82,600	\$ 29.50	1
50 Orville Dr., Islip, NY	99%	27,943	100.0%	\$ 257,597	\$ 9.22	3

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	OWNERSHIP INTEREST (GROUND LEASE EXPIRATION DATE) (1)	YEAR CONSTRUCTED	LAND AREA (ACRES)	CLEARANCE HEIGHT (FEET)	
PERCENTAGE OWNERSHIP					
65 Orville Dr., Islip, NY	100.0%	Fee	1971	2.2	14
70 Orville Dr., Islip, NY	100.0%	Fee	1975	2.3	22
80 Orville Dr., Islip, NY	100.0%	Fee	1988	6.5	16
85 Orville Dr., Islip, NY	100.0%	Fee	1974	1.9	14
95 Orville Dr., Islip, NY	100.0%	Fee	1974	1.8	14
Airport Industrial Plaza Total			87.1		
Hauppauge Industrial Park					
100 Engineers Rd., Hauppauge, NY	100.0%	Fee	1968	5.0	14
104 Parkway Dr., Hauppauge, NY	100.0%	Fee	1985	1.8	15
110 Plant Ave., Hauppauge, NY	100.0%	Fee	1974	6.8	18
120 Ricefield Ln., Hauppauge, NY	100.0%	Fee	1983	2.0	15
125 Ricefield Ln., Hauppauge, NY	100.0%	Fee	1973	2.0	14
135 Ricefield Ln., Hauppauge, NY	100.0%	Fee	1981	2.1	15

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150 Engineers Rd., Hauppauge, NY	100.0%	Fee	1969	6.8	22
180 Oser Ave., Hauppauge, NY	100.0%	Lease (2009)	1978	3.4	16
185 Oser Ave, Hauppauge, NY	100.0%	Fee	1974	2.0	18
20 Oser Ave., Hauppauge, NY	100.0%	Fee	1979	5.0	16
225 Oser Ave., Hauppauge, NY	100.0%	Fee	1977	1.2	14
25 Davids Dr., Hauppauge, NY	100.0%	Fee	1975	3.2	20
250 Kennedy Dr., Hauppauge, NY	100.0%	Fee	1979	7.0	16
30 Oser Ave., Hauppauge, NY	100.0%	Fee	1978	4.4	16
325 Rabro Dr., Hauppauge, NY	100.0%	Fee	1967	2.7	14
360 Motor Pk., Hauppauge, NY	100.0%	Fee	1967	4.2	16
360 Oser Ave., Hauppauge, NY	100.0%	Fee	1981	1.3	18
375 Oser Ave., Hauppauge, NY	100.0%	Fee	1981	1.2	18
390 Motor Parkway, Hauppauge, NY	100.0%	Fee	1980	10.0	14
395 Oser Ave., Hauppauge, NY	100.0%	Fee	1980	6.1	14
40 Oser Ave., Hauppauge, NY	100.0%	Fee	1974	3.1	16
400 Moreland Rd., Hauppauge, NY	100.0%	Fee	1967	6.3	17
400 Oser Ave., Hauppauge, NY	100.0%	Fee	1982	9.5	16
410 Motor Pk., Hauppauge, NY	100.0%	Fee	1965	3.0	15
425 Rabro Dr., Hauppauge, NY	100.0%	Fee	1980	4.0	16
45 Adams Ave., Hauppauge, NY	100.0%	Fee	1979	2.1	18
50 Oser Ave., Hauppauge, NY	100.0%	Fee	1975	4.1	21
55 Engineers Rd., Hauppauge, NY	100.0%	Fee	1968	3.0	18
595 Old Willets Path, Hauppauge, NY	100.0%	Fee	1968	3.5	14
60 Oser Ave., Hauppauge, NY	100.0%	Fee	1975	3.3	21
600 Old Willets Path , Hauppauge, NY	100.0%	Fee	1965	4.5	14
611 Old Willets Path, Hauppauge, NY	100.0%	Fee	1963	3.0	14
63 Oser Ave., Hauppauge, NY	100.0%	Fee	1974	1.2	20
631/641 Old Willets Path, Hauppauge, NY	100.0%	Fee	1965	1.9	14
65 Engineers Rd., Hauppauge, NY	100.0%	Fee	1969	1.8	22
65 Oser Ave., Hauppauge, NY	100.0%	Fee	1975	1.2	18
651/661 Old Willets Path, Hauppauge, NY	100.0%	Fee	1966	2.0	14

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	RESEARCH AND DEVELOPMENT FINISH	RENTABLE SQUARE FEET	PERCENT LEASED	ANNUAL BASE RENT (2)	ANNUAL RENT PER LEASED SQ. FT.
65 Orville Dr., Islip, NY	20%	32,000	100.0%	\$ 220,068	\$ 6.88
70 Orville Dr., Islip, NY	18%	41,508	100.0%	\$ 355,988	\$ 8.58
80 Orville Dr., Islip, NY	47%	92,684	100.0%	\$ 611,343	\$ 6.60
85 Orville Dr., Islip, NY	20%	25,091	100.0%	\$ 173,671	\$ 6.92
95 Orville Dr., Islip, NY	20%	25,300	100.0%	\$ 135,945	\$ 5.37
Airport Industrial Plaza Total		1,289,411	98.8%	\$9,344,978	\$ 7.25
Hauppauge Industrial Park					
100 Engineers Rd., Hauppauge, NY	100%	40,880	100.0%	\$ 573,914	\$ 14.04
104 Parkway Dr., Hauppauge, NY	15%	27,600	100.0%	\$ 111,918	\$ 4.06
110 Plant Ave., Hauppauge, NY	2%	125,000	100.0%	\$ 488,194	\$ 3.91
120 Ricefield Ln., Hauppauge, NY	9%	33,100	100.0%	\$ 193,917	\$ 5.86
125 Ricefield Ln., Hauppauge, NY	20%	30,495	100.0%	\$ 201,844	\$ 6.62
135 Ricefield Ln., Hauppauge, NY	50%	32,340	100.0%	\$ 153,100	\$ 4.73
150 Engineers Rd., Hauppauge, NY	10%	135,000	100.0%	\$ 179,625	\$ 1.33
180 Oser Ave., Hauppauge, NY	50%	61,264	100.0%	\$ 507,518	\$ 8.28
185 Oser Ave, Hauppauge, NY	50%	30,000	100.0%	\$ 219,834	\$ 7.33
20 Oser Ave., Hauppauge, NY	98%	42,000	100.0%	\$ 393,135	\$ 9.36
225 Oser Ave., Hauppauge, NY	85%	9,960	100.0%	\$ 130,891	\$ 13.14
25 Davids Dr., Hauppauge, NY	50%	40,000	100.0%	\$ 350,200	\$ 8.75
250 Kennedy Dr., Hauppauge, NY	10%	127,980	100.0%	\$ 455,298	\$ 3.56
30 Oser Ave., Hauppauge, NY	69%	41,851	100.0%	\$ 310,213	\$ 7.41
325 Rabro Dr., Hauppauge, NY	27%	35,473	32.9%	\$ 89,096	\$ 2.51
360 Motor Pk., Hauppauge, NY	100%	54,000	100.0%	\$ 306,060	\$ 5.67
360 Oser Ave., Hauppauge, NY	20%	23,000	100.0%	\$ 169,114	\$ 7.35
375 Oser Ave., Hauppauge, NY	60%	20,000	100.0%	\$ 160,633	\$ 8.03
390 Motor Parkway, Hauppauge, NY	10%	181,060	100.0%	\$1,033,943	\$ 5.71

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395 Oser Ave., Hauppauge, NY	100%	49,500	100.0%	\$ 464,805	\$ 9.39
40 Oser Ave., Hauppauge, NY	45%	59,850	100.0%	\$ 435,463	\$ 7.28
400 Moreland Rd., Hauppauge, NY	80%	57,050	100.0%	\$ 931,626	\$ 16.33
400 Oser Ave., Hauppauge, NY	36%	163,885	94.8%	\$1,252,016	\$ 7.64
410 Motor Pk., Hauppauge, NY	18%	41,784	100.0%	\$ 273,524	\$ 6.55
425 Rabro Dr., Hauppauge, NY	50%	65,421	100.0%	\$ 765,971	\$ 11.71
45 Adams Ave., Hauppauge, NY	75%	28,000	100.0%	\$ 270,667	\$ 9.67
50 Oser Ave., Hauppauge, NY	15%	60,000	100.0%	\$ 246,000	\$ 4.10
55 Engineers Rd., Hauppauge, NY	100%	36,000	100.0%	\$ 373,307	\$ 10.37
595 Old Willets Path, Hauppauge, NY	39%	31,670	100.0%	\$ 218,811	\$ 6.91
60 Oser Ave., Hauppauge, NY	10%	48,000	100.0%	\$ 196,800	\$ 4.10
600 Old Willets Path , Hauppauge, NY	10%	69,654	100.0%	\$ 438,114	\$ 6.29
611 Old Willets Path, Hauppauge, NY	5%	20,000	100.0%	\$ 172,329	\$ 8.62
63 Oser Ave., Hauppauge, NY	20%	23,000	100.0%	\$ 151,220	\$ 6.57
631/641 Old Willets Path, Hauppauge, NY	28%	25,000	100.0%	\$ 177,624	\$ 7.10
65 Engineers Rd., Hauppauge, NY	10%	23,000	100.0%	\$ 149,500	\$ 6.50
65 Oser Ave., Hauppauge, NY	10%	20,000	100.0%	\$ 115,023	\$ 5.75
651/661 Old Willets Path, Hauppauge, NY	54%	25,000	100.0%	\$ 189,845	\$ 7.59

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	PERCENTAGE OWNERSHIP	OWNERSHIP INTEREST (GROUND LEASE EXPIRATION DATE) (1)	YEAR CONSTRUCTED	LAND AREA (ACRES)	CLEAR HEIGHT (FEET)
681 Old Willets Path, Hauppauge, NY	100.0%	Fee	1961	1.3	14
73 Oser Ave., Hauppauge, NY	100.0%	Fee	1974	1.2	20
740 Old Willets Path, Hauppauge, NY	100.0%	Fee	1965	3.5	14
80 Oser Ave., Hauppauge, NY	100.0%	Fee	1974	1.1	18
85 Adams Dr., Hauppauge, NY	100.0%	Fee	1980	1.8	15
85 Engineers Rd.,					

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Hauppauge, NY	100.0%	Fee	1968	2.3	18
85 Nikon Ct.,					
Hauppauge, NY	100.0%	Fee	1978	6.1	30
90 Oser Ave.,					
Hauppauge, NY	100.0%	Fee	1973	1.1	16
90 Plant Ave.,					
Hauppauge, NY	100.0%	Fee	1972	4.3	16

Hauppauge Industrial Park Total				158.4	
County Line Industrial Center,					
Melville Long Island					
5 Hub Dr.,					
Melville, NY	100.0%	Fee	1979	6.9	20
10 Hub Dr.,					
Melville, NY	100.0%	Fee	1975	6.6	20
265 Spagnoli Rd.,					
Melville, NY	100.0%	Fee	1978	6.0	20
30 Hub Dr.,					
Melville, NY	100.0%	Fee	1976	5.1	20

County Line Total				24.6	
Standalone Islip Long Island					
135 Fell Ct.,					
Islip, NY	100.0%	Fee	1965	3.2	16
208 Blydenburgh Rd.,					
Islandia, NY	100.0%	Fee	1969	2.4	14
210 Blydenburgh Rd.,					
Islandia, NY	100.0%	Fee	1969	1.2	14
32 Windsor Pl.,					
Islip, NY	100.0%	Fee	1971	2.5	18
42 Windsor Pl.,					
Islip, NY	100.0%	Fee	1972	2.4	18
71 Hoffman Ln.,					
Islandia, NY	100.0%	Fee	1970	5.8	16

Islip Long Island Total				17.5	
Standalone Farmingdale Long Island					
70 Schmitt Blvd.,					
Farmingdale, NY	100.0%	Fee	1975	4.4	18
105 Price Parkway,					
Farmingdale, NY	100.0%	Fee	1969	12.0	26
110 Bi County Blvd.,					
Farmingdale, NY	100.0%	Fee	1984	9.5	19

Farmingdale Long Island Total				25.9	
Standalone Melville Long Island					
20 Melville Park Road,					
Melville, NY	100.0%	Fee	1965	4.0	23
45 Melville Park Drive,					
Melville, NY	100.0%	Fee	1998	4.2	24
65 Marcus Drive,					
Melville, NY	100.0%	Fee	1968	5.0	16
70 Maxess Road,					
Melville, NY	100.0%	Fee	1969	9.3	15

Melville Long Island Total				22.5	
Standalone Hauppauge Long Island					
1516 Motor Pk.,					
Hauppauge, NY	100.0%	Fee	1981	7.9	24
300 Motor Pk.,					
Hauppauge, NY	100.0%	Fee	1979	4.2	14

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Hauppauge Long Island Total				12.1	
Standalone Other Long Island					
100 Andrews Rd., Hicksville, NY	100.0%	Fee	1954	11.7	25
110 Marcus Drive, Huntington, NY	100.0%	Fee	1980	6.1	20
19 Nicholas Dr., Yaphank, NY (3)	100.0%	Fee	1989	29.6	24
35 Engle St., Hicksville, NY	100.0%	Lease (4)	1966	4.0	24
48 Harbor Pk Dr., Port Washington, NY	100.0%	Fee	1976	2.7	16
85 S. Service Rd., Plainview, NY	100.0%	Fee	1961	1.6	14
933 Motor Parkway, Smithtown, NY	100.0%	Fee	1973	5.6	20

Standalone Other Long Island Total				61.3	

	RESEARCH AND DEVELOPMENT FINISH	RENTABLE SQUARE FEET	PERCENT LEASED	ANNUAL BASE RENT (2)	S
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681 Old Willets Path, Hauppauge, NY	10%	15,000	100.0%	\$ 110,634	\$
73 Oser Ave., Hauppauge, NY	10%	20,000	100.0%	\$ 139,873	\$
740 Old Willets Path, Hauppauge, NY	50%	30,000	100.0%	\$ 29,670	\$
80 Oser Ave., Hauppauge, NY	40%	19,500	100.0%	\$ 74,425	\$
85 Adams Dr., Hauppauge, NY	100%	20,000	100.0%	\$ 280,000	\$
85 Engineers Rd., Hauppauge, NY	5%	40,800	100.0%	\$ 225,095	\$
85 Nikon Ct., Hauppauge, NY	10%	104,000	100.0%	\$ 634,400	\$
90 Oser Ave., Hauppauge, NY	40%	37,500	100.0%	\$ 144,375	\$
90 Plant Ave., Hauppauge, NY	19%	74,915	100.0%	\$ 162,117	\$
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Hauppauge Industrial Park Total		2,299,532	98.6%	\$14,651,684	\$
County Line Industrial Center, Melville Long Island					
5 Hub Dr., Melville, NY	47%	88,001	100.0%	\$ 577,634	\$
10 Hub Dr., Melville, NY	18%	95,671	100.0%	\$ 749,371	\$
265 Spagnoli Rd., Melville, NY	61%	85,555	100.0%	\$ 737,824	\$
30 Hub Dr., Melville, NY	10%	73,127	100.0%	\$ 516,326	\$
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County Line Total		342,354	100.0%	\$ 2,581,155	\$
Standalone Islip Long Island					

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135 Fell Ct., Islip, NY	10%	30,124	100.0%	\$ 253,973	\$
208 Blydenburgh Rd., Islandia, NY	20%	24,000	100.0%	\$ 135,094	\$
210 Blydenburgh Rd., Islandia, NY	10%	20,000	100.0%	\$ 103,977	\$
32 Windsor Pl., Islip, NY	10%	43,000	100.0%	\$ 155,887	\$
42 Windsor Pl., Islip, NY	10%	65,000	100.0%	\$ 260,000	\$
71 Hoffman Ln., Islandia, NY	10%	30,400	0.0%	\$ 0	\$
		-----	-----	-----	-----
Islip Long Island Total		212,524	85.7%	\$ 908,932	\$
Standalone Farmingdale Long Island					
70 Schmitt Blvd., Farmingdale, NY	15%	76,312	100.0%	\$ 605,343	\$
105 Price Parkway, Farmingdale, NY	10%	297,000	100.0%	\$ 1,517,267	\$
110 Bi County Blvd., Farmingdale, NY	81%	146,696	100.0%	\$ 1,441,847	\$
		-----	-----	-----	-----
Farmingdale Long Island Total		520,008	100.0%	\$ 3,564,457	\$
Standalone Melville Long Island					
20 Melville Park Road, Melville, NY	15%	67,922	100.0%	\$ 401,204	\$
45 Melville Park Drive, Melville, NY	50%	40,247	100.0%	\$ 607,924	\$
65 Marcus Drive, Melville, NY	20%	60,000	100.0%	\$ 675,462	\$
70 Maxess Road, Melville, NY	40%	78,600	100.0%	\$ 750,300	\$
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Melville Long Island Total		246,769	100.0%	\$ 2,434,889	\$
Standalone Hauppauge Long Island					
1516 Motor Pk., Hauppauge, NY	10%	140,000	100.0%	\$ 905,215	\$
300 Motor Pk., Hauppauge, NY	100%	54,154	91.5%	\$ 912,473	\$
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Hauppauge Long Island Total		194,154	97.6%	\$ 1,817,689	\$
Standalone Other Long Island					
100 Andrews Rd., Hicksville, NY	10%	167,754	100.0%	\$ 1,232,628	\$
110 Marcus Drive, Huntington, NY	40%	78,240	100.0%	\$ 547,418	\$
19 Nicholas Dr., Yaphank, NY (3)	5%	230,000	100.0%	\$ 1,391,968	\$
35 Engle St., Hicksville, NY	5%	120,283	100.0%	\$ 631,005	\$
48 Harbor Pk Dr., Port Washington, NY	100%	35,000	100.0%	\$ 795,675	\$
85 S. Service Rd., Plainview, NY	10%	20,000	100.0%	\$ 137,395	\$
933 Motor Parkway, Smithtown, NY	20%	48,000	50.0%	\$ 158,756	\$
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Standalone Other Long Island Total		699,277	96.6%	\$ 4,894,845	\$

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	PERCENTAGE OWNERSHIP	OWNERSHIP INTEREST (GROUND LEASE EXPIRATION DATE) (1)	YEAR CONSTRUCTED	LAND AREA (ACRES)	CLEARANCE HEIGHT (FEET)
NEW JERSEY INDUSTRIAL					
Western Morris and South Plainfield					
100 Forge Way, Rockaway, NJ	100.0%	Fee	1986	3.5	24
200 Forge Way, Rockaway, NJ	100.0%	Fee	1989	12.7	28
300 Forge Way, Rockaway, NJ	100.0%	Fee	1989	4.2	24
400 Forge Way, Rockaway, NJ	100.0%	Fee	1989	12.8	28
40 Cragwood Rd., South Plainfield, NJ	100.0%	Fee	1965	13.5	16
W. Morris S. Plainfield Total				46.7	
WESTCHESTER INDUSTRIAL					
Elmsford Westchester					
100 Grasslands Rd., Elmsford, NY	100.0%	Fee	1964	3.6	16
500 Saw Mill Rd., Elmsford, NY	100.0%	Fee	1968	7.3	22
Elmsford Westchester Total				10.9	
CONNECTICUT INDUSTRIAL					
Shelton Connecticut					
710 Bridgeport, Shelton, CT	100.0%	Fee	1971-1979	36.1	22
Shelton Connecticut Total				36.1	
TOTAL INDUSTRIAL				503.1	

	RESEARCH AND DEVELOPMENT FINISH	RENTABLE SQUARE FEET	PERCENT LEASED	ANNUAL BASE RENT (2)	ANNUAL RENT PER LEASABLE SQ.
NEW JERSEY INDUSTRIAL					
Western Morris and South Plainfield					
100 Forge Way, Rockaway, NJ	46%	20,150	100.0%	\$ 175,639	\$ 8
200 Forge Way, Rockaway, NJ	53%	72,118	100.0%	\$ 634,638	\$ 8
300 Forge Way, Rockaway, NJ	63%	24,200	100.0%	\$ 212,550	\$ 8
400 Forge Way,					

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Rockaway, NJ	20%	73,000	100.0%	\$ 535,731	\$ 7
40 Cragwood Rd.,					
South Plainfield, NJ	30%	130,793	69.3%	\$ 1,278,645	\$ 9
		-----	-----	-----	-----
W. Morris S. Plainfield Total		320,261	87.5%	\$ 2,837,203	\$ 8
WESTCHESTER INDUSTRIAL					
Elmsford Westchester					
100 Grasslands Rd.,					
Elmsford, NY	100%	47,690	100.0%	\$ 924,818	\$ 19
500 Saw Mill Rd.,					
Elmsford, NY	20%	92,000	100.0%	\$ 920,000	\$ 10
		-----	-----	-----	-----
Elmsford Westchester Total		139,690	100.0%	\$ 1,844,818	\$ 13
CONNECTICUT INDUSTRIAL					
Shelton Connecticut					
710 Bridgeport,					
Shelton, CT	29%	452,414	54.3%	\$ 2,032,502	\$ 4
		-----	-----	-----	-----
Shelton Connecticut Total		452,414	54.3%	\$ 2,032,502	\$ 4
TOTAL INDUSTRIAL		6,716,394	94.7%	\$46,913,152	\$ 6

-
- (1) Calculated as the difference from the lowest beam to floor.
 - (2) Represents Base Rent, net of electric reimbursement, of signed leases at December 31, 2002 adjusted for scheduled contractual increases during the 12 months ending December 31, 2003. Total Base Rent for these purposes reflects the effect of any lease expirations that occur during the 12 month period ending December 31, 2003. 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) 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.
 - (4) 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, 2002, the Company owned two free-standing retail properties encompassing approximately 10,000 square feet each located in Great Neck and Huntington, New York. One of these properties is fully leased and one property is approximately 70% leased.

DEVELOPMENTS IN PROGRESS

As of December 31, 2002, the Company had invested approximately \$121.2 million in developments in progress. This amount includes approximately \$5.4 million relating to a development currently under construction which when completed will encompass approximately 71,000 square feet of new industrial / R&D space. In addition, the Company has invested approximately \$115.8 million relating to 13 remaining parcels of land which it can develop approximately 3.6 million square feet of office and industrial / R&D space.

In February 2003, the Company, through Reckson Construction Group Inc., entered into a contract to sell a 19.3-acre development parcel located in Melville, New York. In addition, Reckson Construction Group, Inc., has been retained by the purchaser to develop a 195,000 square foot build-to-suit office

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building on this development parcel.

THE OPTION PROPERTIES

In connection with the IPO, the Company was granted ten-year options to acquire ten properties (the "Option Properties") which are either owned by certain Rechler family members who are also executive officers of the Company, or in which the Rechler family members own a non-controlling minority interest at a price based upon an agreed upon formula. In years prior to 2001, one of these properties was sold by the Rechler family members 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.

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Currently, certain Rechler family members retain their equity interests in the five remaining Option Properties (the "Remaining Option Properties") which were not contributed to the Company as part of the IPO. Such options provide the Company the right to acquire fee interest in two of the Remaining Option Properties and the Rechlers' minority interests in three Remaining Option Properties. The Independent Directors of the Company's Board of Directors are currently reviewing whether the Company should exercise one or more of the options relating to the Remaining Option Properties.

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

The following table sets forth annual and per square foot non-incremental revenue-generating capital expenditures in which the Company paid or accrued, during the respective periods, to retain revenues attributable to existing leased space for the years ended 1998 through 2002 for the Company's office and industrial/R&D properties other than One Orlando Center in Orlando, FL.:

NON-INCREMENTAL REVENUE GENERATING

CAPITAL EXPENDITURES	1998 ----	1999 ----	2000 ----	2001 ----
Suburban Office Properties				
Total	\$ 2,004,976	\$ 2,298,899	\$ 3,289,116	\$ 4,606,069
Per square foot	\$ 0.23	\$ 0.23	\$ 0.33	\$ 0.45
NYC Office Properties				
Total	N/A	N/A	\$ 946,718	\$ 1,584,501
Per square foot	N/A	N/A	\$ 0.38	\$ 0.45
Industrial/R&D Properties.....				
Total	\$ 1,205,266	\$ 1,048,688	\$ 813,431	\$ 711,666
Per square foot	\$ 0.12	\$ 0.11	\$ 0.11	\$ 0.11

The following table sets forth annual and per square foot non-incremental revenue-generating tenant improvement costs and leasing commissions in which the Company committed to perform, during the respective periods, to retain revenues attributable to existing leased space for the years 1998 through 2002 for the

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Company's office and industrial/R&D properties other than One Orlando Center in Orlando, FL.:

NON-INCREMENTAL REVENUE

GENERATING TENANT

IMPROVEMENT COSTS AND

LEASING COMMISSIONS

COMMITTED

	1998	1999	2000	
Long Island Office Properties				
Annual Tenant				
Improvement Costs	\$ 1,140,251	\$ 1,009,357	\$ 2,853,706	\$ 2,853,706
Per square foot improved	\$ 3.98	\$ 4.73	\$ 6.99	\$ 6.99
Annual Leasing				
Commissions	\$ 418,191	\$ 551,762	\$ 2,208,604	\$ 2,208,604
Per square foot leased	\$ 1.46	\$ 2.59	\$ 4.96	\$ 4.96
Total per square foot	\$ 5.44	\$ 7.32	\$ 11.95	\$ 11.95

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COMMITTED

	1998	1999	2000	
Westchester Office Properties				
Annual Tenant				
Improvement Costs	\$ 711,160	\$ 1,316,611	\$ 1,860,027	\$ 2,587,798
Per square foot improved	\$ 4.45	\$ 5.62	\$ 5.72	\$ 5.72
Annual Leasing				
Commissions	\$ 286,150	\$ 457,730	\$ 412,226	\$ 1,256,106
Per square foot leased	\$ 1.79	\$ 1.96	\$ 3.00	\$ 3.00
Total per square foot	\$ 6.24	\$ 7.58	\$ 8.72	\$ 8.72
Connecticut Office Properties				
Annual Tenant				
Improvement Costs	\$ 202,880	\$ 179,043	\$ 385,531	\$ 577,454
Per square foot improved	\$ 5.92	\$ 4.88	\$ 4.19	\$ 4.19
Annual Leasing				
Commissions	\$ 151,063	\$ 110,252	\$ 453,435	\$ 714,740
Per square foot leased	\$ 4.41	\$ 3.00	\$ 4.92	\$ 4.92
Total per square foot	\$ 10.33	\$ 7.88	\$ 9.11	\$ 9.11
New Jersey Office Properties				
Annual Tenant				
Improvement Costs	\$ 654,877	\$ 454,054	\$ 1,580,323	\$ 2,689,254
Per square foot improved	\$ 3.78	\$ 2.29	\$ 6.71	\$ 6.71
Annual Leasing				
Commissions	\$ 396,127	\$ 787,065	\$ 1,031,950	\$ 1,615,142
Per square foot leased	\$ 2.08	\$ 3.96	\$ 4.44	\$ 4.44
Total per square foot	\$ 5.86	\$ 6.25	\$ 11.15	\$ 11.15
New York Office Properties				
Annual Tenant				
Improvement Costs	N/A	N/A	\$ 65,267	\$ 65,267

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Per square foot improved	N/A	N/A	\$ 1.79	\$
Annual Leasing				
Commissions	N/A	N/A	\$ 418,185	\$ 1,0
Per square foot leased	N/A	N/A	\$ 11.50	\$
Total per square foot	N/A	N/A	\$ 13.29	\$
Industrial/R&D Properties				
Annual Tenant				
Improvement Costs	\$ 283,842	\$ 375,646	\$ 650,216	\$ 1,3
Per square foot improved	\$ 0.76	\$ 0.25	\$ 0.95	\$
Annual Leasing				
Commissions	\$ 200,154	\$ 835,108	\$ 436,506	\$ 3
Per square foot leased	\$ 0.44	\$ 0.56	\$ 0.64	\$
Total per square foot	\$ 1.20	\$ 0.81	\$ 1.59	\$

As noted, incremental revenue-generating tenant improvement costs and leasing commissions are excluded from the tables set forth above. The historical capital expenditures, tenant improvement costs and leasing commissions set forth above are not necessarily indicative of future non-incremental revenue-generating capital expenditures or non-incremental revenue-generating tenant improvement costs and leasing commissions that may be incurred to retain revenues on leased space.

- (1) Excludes tenant improvements and leasing commissions related to a 163,880 square foot leasing transaction with Fuji Photo Film U.S.A. Leasing commissions on this transaction amounted to \$5.33 per square foot and tenant improvement allowance amounted to \$40.88 per square foot.

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The following table sets forth the Company's components of its paid or accrued non-incremental and incremental revenue-generating capital expenditures, tenant improvements and leasing costs for the year ended December 31, 2002 as reported on its Statements of Cash Flows - Investment Activities contained in its consolidated financial statements (in thousands):

Capital expenditures:	
Non-incremental	\$ 9,104
Incremental	7,911
Tenant improvements:	
Non-incremental	20,973
Incremental	10,064

Additions to commercial real estate properties	\$ 48,052
	=====
Leasing costs:	
Non-incremental	\$ 10,483
Incremental	5,931

Payment of deferred leasing costs	\$ 16,414
	=====
Acquisition and development costs	\$ 41,896
	=====

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The following table sets forth the Company's schedule of its top 25 tenants based on base rental revenue as of December 31, 2002:

TENANT NAME (1)	TENANT TYPE	TOTAL SQUARE FEET	PERCENT OF PRO-RATA SHARE OF ANNUALIZED BASE RENTAL REVENUE	PERCENT OF ANNUALIZED BASE RENTAL REVENUE
* Debevoise & Plimpton	Office	465,420	3.3%	
* American Express	Office	238,342	2.0%	
* WorldCom/MCI	Office	335,242	1.8%	
Bell Atlantic	Office	210,426	1.6%	
* Schulte Roth & Zabel	Office	238,052	1.4%	
* HQ Global	Office/Industrial	201,900	1.2%	
United Distillers	Office	137,918	1.1%	
T.D. Waterhouse	Office	139,211	1.1%	
* Prudential	Office	127,153	0.9%	
* Banque Nationale De Paris	Office	145,834	0.9%	
* Kramer Levin Nessen Kamin	Office	158,144	0.9%	
Vytra Healthcare	Office	105,613	0.8%	
P.R. Newswire Associates	Office	67,000	0.8%	
Hoffmann-La Roche Inc.	Office	120,736	0.7%	
D.E. Shaw	Office	89,526	0.7%	
Heller Ehrman White	Office	64,526	0.7%	
* State Farm	Office/Industrial	164,175	0.7%	
EMI Entertainment World	Office	65,844	0.7%	
Laboratory Corp. of America	Office	108,000	0.7%	
Estee Lauder	Industrial	374,578	0.7%	
* Draft Worldwide, Inc.	Office	124,008	0.7%	
Practicing Law Institute	Office	62,000	0.7%	
Lockheed Martin Corp.	Office	123,554	0.7%	
Towers Perrin Foster	Office	88,233	0.6%	
Radianz (Reuters)	Office	130,009	0.6%	

(1) Ranked by pro rata share of annualized base rental revenue adjusted for pro rate share of joint venture interests and to reflect WorldCom/MCI leases rejected to date.

* Part or all of space occupied by tenant is in a 51% or more owned joint venture building.

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The following table sets forth the Company's lease expiration table, as of January 1, 2003 for its Total Portfolio of properties, its Office Portfolio and its Industrial/R&D portfolio:

TOTAL PORTFOLIO (A)

YEAR OF EXPIRATION	NUMBER OF LEASES EXPIRING	SQUARE FEET EXPIRING	% OF TOTAL PORTFOLIO SQ FT	CUMULATIVE % OF TOTAL PORTFOLIO SQ FT
-----------------------	---------------------------------	----------------------------	----------------------------------	---

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2003	159	1,533,361	7.6%	7.6%
2004	192	1,622,196	8.0%	15.6%
2005	244	2,460,052	12.1%	27.7%
2006	223	2,649,790	13.1%	40.7%
2007	142	1,619,006	8.0%	48.7%
2008	98	1,420,922	7.0%	55.7%
2009 and thereafter	276	7,963,703	39.4%	95.0%
	-----	-----	-----	-----
Total/Weighted Average	1,334	19,269,030	95.0%	--
	=====	=====	=====	=====
Total Portfolio Square Feet		20,283,964		

OFFICE PORTFOLIO (A)

YEAR OF EXPIRATION	NUMBER OF LEASES EXPIRING	SQUARE FEET EXPIRING	% OF TOTAL OFFICE SQ FT	CUMULATIVE % OF TOTAL PORTFOLIO SQ FT
2003	139	1,064,852	7.9%	7.9%
2004	151	1,012,551	7.5%	15.3%
2005	211	1,804,599	13.3%	28.7%
2006	170	1,647,446	12.2%	40.8%
2007	110	1,255,054	9.3%	50.1%
2008	69	766,199	5.7%	55.7%
2009 and thereafter	227	5,339,943	39.4%	95.2%
	-----	-----	-----	-----
Total/Weighted Average	1,077	12,890,644	95.2%	--
	=====	=====	=====	=====
Total Office Portfolio Square Feet		13,549,033		

INDUSTRIAL/R&D PORTFOLIO

YEAR OF EXPIRATION	NUMBER OF LEASES EXPIRING	SQUARE FEET EXPIRING	% OF TOTAL INDUSTRIAL/R&D SQ FT	CUMULATIVE % OF TOTAL PORTFOLIO SQ FT
2003	20	468,509	7.0%	7.0%
2004	41	609,645	9.1%	16.1%
2005	33	655,453	9.7%	25.8%
2006	53	1,002,344	14.9%	40.7%
2007	32	363,952	5.4%	46.1%
2008	29	654,723	9.7%	55.8%
2009 and thereafter	49	2,623,760	39.0%	94.8%
	-----	-----	-----	-----
Total/Weighted Average	257	6,378,386	94.7%	--
	=====	=====	=====	=====
Total Industrial/R&D Portfolio Square Feet		6,734,931		

(a) Excludes the 355,000 square foot office property located in Orlando,

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Florida and three leases aggregating approximately 192,000 square feet, occupied by WorldCom which were rejected by WorldCom in February 2003, pursuant to their bankruptcy proceedings.

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MORTGAGE INDEBTEDNESS

The following table sets forth certain information regarding the mortgage debt of the Company, as of December 31, 2002.

PROPERTY -----	PRINCIPAL AMOUNT OUTSTANDING	INTEREST RATE	M
	(IN THOUSANDS)		
80 Orville Drive, Islip, NY	\$ 2,616	10.10%	Febr
395 North Service Road, Melville, NY	19,709	6.45%	Octo
200 Summit Lake Drive, Valhalla, NY	19,373	9.25%	Janu
1350 Avenue of the Americas, NY, NY	74,631	6.52%	June
Landmark Square, Stamford, CT (5)	45,090	8.02%	Octo
100 Summit Lake Drive, Valhalla, NY	19,101	8.50%	Apri
333 Earl Ovington Blvd., Mitchell Field, NY (1)	53,864	7.72%	Augu
810 7th Avenue, NY, NY	82,854	7.73%	Augu
100 Wall Street, NY, NY	35,904	7.73%	Augu
6800 Jericho Turnpike, Syosset, NY	7,348	8.07%	July
6900 Jericho Turnpike, Syosset, NY	13,922	8.07%	July
580 White Plains Road, Tarrytown, NY	12,685	7.86%	Sept
919 3rd Avenue, NY, NY (6)	246,651	6.867%	Augu
110 Bi-County Blvd., Farmingdale, NY.	3,635	9.125%	Nove
120 West 45th Street, NY, NY	38,366	6.82% (4)	Nove
One Orlando Center, Orlando, FL	64,263	6.82% (4)	Nove

Total / Weighted average	\$ 740,012	7.26%	
	=====		

-
- (1) The Company has a 60% general partnership interest in this property and its proportionate share of the aggregate principal amount of the mortgage debt is approximately \$32.3 million.
 - (2) Principal payments of \$34,000 per month.
 - (3) Interest only.
 - (4) Subject to interest rate adjustment on November 1, 2004 to the greater of 8.82% per annum or the yield of noncallable U.S. Treasury obligations with a term of fifteen years plus 2% per annum.
 - (5) Encompasses six Class A office properties.
 - (6) The Company has a 51% membership interest in this property and its proportionate share of the aggregate principal amount of the mortgage debt is approximately \$125.8 million.

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In addition, the Company has a 60% interest in an unconsolidated joint venture property. The Company's pro-rata share of the mortgage debt at December 31, 2002 is approximately \$7.5 million. This mortgage note payable bears interest at 8.85% per annum and matures on September 1, 2005.

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, 2002.

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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". On March 13, 2003, the reported closing price per share of the Company's Class A common stock on the NYSE was \$18.00, and there were approximately 572 holders of record of the Company's Class A common stock.

The following table sets forth the quarterly high and low closing prices per share of the Company's Class A common stock as reported on the NYSE and the distributions paid by the Company for each respective quarter ended.

	HIGH	LOW	DISTRIBUTION
March 31, 2001	\$ 25.88	\$ 21.90	\$.3860
June 30, 2001	\$ 23.90	\$ 21.14	\$.4246 (1)
September 30, 2001	\$ 24.15	\$ 21.90	\$.4246
December 31, 2001	\$ 24.46	\$ 22.15	\$.4246
March 31, 2002	\$ 24.68	\$ 22.54	\$.4246
June 30, 2002	\$ 26.00	\$ 24.18	\$.4246
September 30, 2002	\$ 24.92	\$ 21.08	\$.4246
December 31, 2002	\$ 22.95	\$ 20.10	\$.4246

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

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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". On March 13, 2003, the reported closing price per share of the Company's Class B common stock on the NYSE was \$18.46, and there were approximately 57 holders of record of the Company's Class B common stock.

The following table sets forth the quarterly high and low closing prices per share of the Company's Class B common stock as reported on the NYSE and the distributions paid by the Company for each respective quarter ended.

	HIGH	LOW	DISTRIBUTION
	-----	-----	-----
March 31, 2001	\$ 27.50	\$ 22.90	\$.6000
June 30, 2001	\$ 25.00	\$ 22.40	\$.6164 (1)
September 30, 2001	\$ 25.60	\$ 23.29	\$.6492
December 31, 2001	\$ 25.76	\$ 23.55	\$.6492
March 31, 2002	\$ 25.76	\$ 23.86	\$.6492
June 30, 2002	\$ 27.07	\$ 25.30	\$.6485 (2)
September 30, 2002	\$ 25.95	\$ 22.30	\$.6471
December 31, 2002	\$ 23.88	\$ 20.70	\$.6471

- (1) Commencing with the distribution for the three month period ended July 31, 2001, the Board of Directors of the Company increased the quarterly distribution to \$.6492 per share, which is equivalent to an annual distribution of \$2.5968 per share.
- (2) Commencing with the distribution for the three month period ended July 31, 2002, the Board of Directors of the Company decreased the quarterly distribution to \$.6471 per share, which is equivalent to an annual distribution of \$2.5884 per share.

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The following table sets forth the Company's stock option plan information at December 31, 2002:

	(A)	(B)
	-----	-----
PLAN CATEGORY	NUMBER OF SECURITIES TO BE ISSUED UPON EXERCISE OF OUTSTANDING OPTIONS, WARRANTS AND RIGHTS	WEIGHTED-AVERAGE EXERCISE PRICE OF OUTSTANDING OPTIONS, WARRANTS AND RIGHTS
-----	-----	-----
Stock option plans approved by security holders .	5,051,604	\$ 23.41
		=====
Stock option plan not approved by security holders	113,250	\$ 23.89

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Total	----- 5,164,854 =====	===== \$ 23.42 =====
-------------	-----------------------------	----------------------------

- (1) Includes 1,384,102 shares available in connection with the core component of the Company's 2003 long-term incentive program. Some or all of the remaining shares may also be utilized for payments of the special component of such plan. Such special component will be determined after December 31, 2006 based upon the Company's performance over the prior four years. (see Management's Discussion and Analysis of Financial Condition and Results of Operations, Liquidity and Capital Resources - Other Matters).
- (2) Includes information relating to the Company's 1996 Employee Stock Option Plan.

THE 1996 EMPLOYEE STOCK OPTION PLAN (THE "1996 PLAN")

The 1996 Plan was adopted by the Board of Directors of the Company on November 7, 1996, and provides for the grant of awards of up to an aggregate of 200,000 shares of Class A common stock. The 1996 Plan is administered by the Compensation Committee. Existing officers and directors of the Company are not eligible to participate in the 1996 Plan. The 1996 Plan authorizes (i) the grant of stock options that qualify as incentive stock options under Section 422 of the Code, (ii) the grant of "nonqualified" stock options, (iii) the grant of shares of Class A common stock subject to certain restrictions on transfer and certain risks of forfeiture and (iv) grants of unrestricted shares of Class A common stock. The exercise price of stock options is determined by the Compensation Committee, but may not be less than 100% of the fair market value of the shares of Class A common stock on the date of grant. In any calendar year, a person eligible for awards under the 1996 Plan may not be granted options covering more than 75,000 shares of Class A common stock. The 1996 Plan shall terminate 10 years after its effective date. Additional information related to the 1996 Plan is set forth in the Company's consolidated financial statements and the notes thereto that are part of this Form 10-K.

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ITEM 6. SELECTED FINANCIAL DATA

RECKSON ASSOCIATES REALTY CORP.
SELECTED FINANCIAL DATA
(in thousands except per share data and property count)

	FOR THE YEAR ENDED DECEMBER	
	31,	
	----- 2002	----- 2001 -----
OPERATING DATA:		
Total revenues	\$ 506,092	\$ 514,646
Total expenses	407,545	393,022
Income before minority interests, preferred dividends and		

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distributions, valuation reserves, equity in earnings of real estate joint ventures and service companies, gain on sales of real estate, discontinued operations and extraordinary loss	98,547	121,624
Minority interests	24,968	10,097
Preferred dividends and distributions	23,123	23,977
Valuation reserves on investments in affiliate loans and joint ventures and other investments	--	166,101
Equity in earnings of real estate joint ventures and service companies	1,113	2,087
Gain on sales of real estate	537	20,173
Discontinued operations (net of minority interests' share)	4,762	1,019
Extraordinary loss (net of minority interests' share)	2,335	2,595
Net income (loss) allocable to Class A common shareholders	41,604	(44,243)
Net income (loss) allocable to Class B common shareholders	12,929	(13,624)
PER SHARE DATA - CLASS A COMMON SHAREHOLDERS:		
Basic:		
Basic net income (loss) before extraordinary loss	\$.79	\$ (1.19)
Gain on sales or real estate .....	.01	.29
Discontinued operations .....	.07	.02
Extraordinary loss	(.03)	(.04)
Basic net income (loss)	\$.84	\$ (.92)
Weighted average shares outstanding	49,669	48,121
Cash Dividends declared	\$ 1.70	\$ 1.66
Diluted:		
Diluted net income (loss) before extraordinary loss	\$.79	\$ (1.19)
Gain on sales or real estate .....	.01	.29
Discontinued operations .....	.07	.02
Extraordinary loss	(.04)	(.04)
Diluted net income (loss)	\$.83	\$ (.92)
Diluted weighted average shares outstanding	49,968	48,121
PER SHARE DATA - CLASS B COMMON SHAREHOLDERS:		
Basic:		
Basic net income (loss) before extraordinary loss	\$ 1.21	\$ (1.70)
Gain on sales or real estate .....	.01	.42
Discontinued operations .....	.11	.02
Extraordinary loss	(.05)	(.06)
Basic net Income (loss)	\$ 1.28	\$ (1.32)
Weighted average shares outstanding	10,122	10,284
Cash Dividends declared	\$ 2.59	\$ 2.55
Diluted:		
Diluted net income (loss) before extraordinary loss	\$.92	\$ (1.70)
Gain on sales or real estate	--	.42
Discontinued operations .....	.02	.02
Extraordinary loss	(.04)	(.06)
Diluted net income (loss)	\$.90	\$ (1.32)
Diluted weighted average shares outstanding	10,122	10,284

FOR THE YEAR ENDED DECEMBER 31,

	2000	1999
OPERATING DATA:		
Total revenues	\$ 483,298	\$ 387,664
Total expenses	371,426	297,131
Income before minority interests, preferred dividends and distributions, valuation reserves, equity in earnings of real estate joint ventures and service companies, gain on sales of real estate, discontinued operations and extraordinary loss	111,872	90,533

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Minority interests	20,694	16,035
Preferred dividends and distributions	28,012	27,001
Valuation reserves on investments in affiliate loans and joint ventures and other investments	--	--
Equity in earnings of real estate joint ventures and service companies	4,383	2,148
Gain on sales of real estate	18,669	10,052
Discontinued operations (net of minority interests' share)	1,208	1,135
Extraordinary loss (net of minority interests' share)	1,396	555
Net income (loss) allocable to Class A common shareholders	62,989	47,529
Net income (loss) allocable to Class B common shareholders	23,041	12,748
PER SHARE DATA - CLASS A COMMON SHAREHOLDERS:		
Basic:		
Basic net income (loss) before extraordinary loss	\$ 1.19	\$ 1.00
Gain on sales or real estate .....	.28	.17
Discontinued operations .....	.02	.02
Extraordinary loss	(.03)	(.01)
Basic net income (loss)	\$ 1.46	\$ 1.18
Weighted average shares outstanding	43,070	40,270
Cash Dividends declared	\$ 1.53	\$ 1.45
Diluted:		
Diluted net income (loss) before extraordinary loss	\$ 1.17	\$.99
Gain on sales or real estate .....	.28	.17
Discontinued operations .....	.02	.02
Extraordinary loss	(.02)	(.01)
Diluted net income (loss)	\$ 1.45	\$ 1.17
Diluted weighted average shares outstanding	43,545	40,676
PER SHARE DATA - CLASS B COMMON SHAREHOLDERS:		
Basic:		
Basic net income (loss) before extraordinary loss	\$ 1.82	\$ 1.60
Gain on sales or real estate .....	.43	.27
Discontinued operations .....	.03	.04
Extraordinary loss	(.04)	(.02)
Basic net Income (loss)	\$ 2.24	\$ 1.89
Weighted average shares outstanding	10,284	6,744
Cash Dividends declared	\$ 2.35	\$ 1.54
Diluted:		
Diluted net income (loss) before extraordinary loss	\$ 1.54	\$ 1.24
Gain on sales or real estate .....	.07	.03
Discontinued operations .....	.01	--
Extraordinary loss	(.03)	(.01)
Diluted net income (loss)	\$ 1.59	\$ 1.26
Diluted weighted average shares outstanding	10,284	6,744

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RECKSON ASSOCIATES REALTY CORP.
 SELECTED FINANCIAL DATA--CONTINUED
 (in thousands except per share data and property count)

FOR THE YEAR ENDED DECEMBER
 31,

 2002 2001

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BALANCE SHEET DATA (PERIOD END):

Commercial real estate properties, before accumulated depreciation	\$ 2,954,527	\$ 2,880,879
Cash and cash equivalents (4)	30,827	121,975
Total assets	2,907,920	2,994,218
Mortgage notes payable	740,012	751,077
Unsecured credit facility (4)	267,000	271,600
Unsecured term loan	--	--
Senior unsecured notes	499,305	449,463
Market value of equity (1)	1,681,372	1,915,587
Total market capitalization including debt (1 and 2)	3,052,818	3,251,599
OTHER DATA:		
Funds from operations (basic) (3)	\$ 161,023	\$ 179,687
Funds from operations (diluted) (3)	\$ 184,146	\$ 206,288
Total square feet (at end of period)	20,284	20,611
Number of properties (at end of period)	178	182

FOR THE YEAR ENDED DECEMBER 31,

2000	1999	1998
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BALANCE SHEET DATA (PERIOD END):

Commercial real estate properties, before accumulated depreciation	\$ 2,770,607	\$ 2,208,399	\$ 1,737,200
Cash and cash equivalents (4)	17,843	21,368	2,000
Total assets	2,998,030	2,733,878	1,854,200
Mortgage notes payable	728,971	459,174	253,000
Unsecured credit facility (4)	216,600	297,600	465,000
Unsecured term loan	--	75,000	20,000
Senior unsecured notes	449,385	449,313	150,000
Market value of equity (1)	2,016,390	1,726,845	1,332,000
Total market capitalization including debt (1 and 2)	3,397,204	2,993,756	2,199,000
OTHER DATA:			
Funds from operations (basic) (3)	\$ 167,782	\$ 130,820	\$ 97,000
Funds from operations (diluted) (3)	\$ 202,169	\$ 161,681	\$ 99,000
Total square feet (at end of period)	21,291	21,385	21,000
Number of properties (at end of period)	188	189	

(1) Based on the sum of: (i) the market value of the Company's Class A common stock and operating partnership units (assuming conversion) of 55,522,307, 57,469,595, 53,046,928, 48,076,648 and 47,800,049 at December 31, 2002, 2001, 2000, 1999 and 1998, respectively (based on a per share/unit price of \$21.05, \$23.36, \$25.06, \$20.50 and \$22.19 at December 31, 2002, 2001, 2000, 1999 and 1998, respectively), (ii) the market value of the Company's Class B common stock of 9,915,313, 10,283,513, 10,283,513 and 10,283,763 shares at December 31, 2002, 2001, 2000 and 1999, respectively (based on a per share price of \$22.40, \$25.51, \$27.19 and \$22.75 at December 31, 2002, 2001, 2000 and 1999, respectively), (iii) the liquidation preference value of 10,834,500, 11,192,000, 11,192,000 and 15,192,000 shares of the Company's preferred stock at December 31, 2002, 2001, 2000 and 1999, respectively (based on a per share value of \$25.00), (iv) the liquidation preference value of 19,662, 30,965, 42,518 and 42,518 of the operating partnership's preferred units at December 31, 2002, 2001, 2000 and 1999, respectively (based on a per unit value of \$1,000) and (v) at December 31, 2000 and December 31, 1999, the contributed value of a minority partners' preferred interest of \$85 million.

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- (2) Debt amount is net of minority partners' proportionate share of joint venture debt plus the Company's share of unconsolidated joint venture debt.
- (3) 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 Generally Accepted Accounting Principles 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. FFO for the year ended December 31, 2001 excludes \$163 million of valuation reserves on investments in affiliate loans and joint ventures. Since all companies and analysts do not calculate FFO in a similar fashion, the Company's calculation of FFO may not be comparable to similarly titled measures as reported by other companies.
- (4) On January 4, 2002, approximately \$85 million of the cash proceeds received from the sale of a 49% interest in the property located at 919 Third Avenue, New York, NY, was used to pay down the Company's unsecured credit facility.

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

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

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

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

CRITICAL ACCOUNTING POLICIES

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

Revenue Recognition and Accounts Receivable

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

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The Company makes estimates of the collectibility of its accounts receivables related to base rents, tenant escalations and reimbursements and other revenue or income. The Company specifically analyzes tenant receivables and analyzes historical bad debts, customer credit worthiness, current economic trends and changes in customer payment terms when evaluating the adequacy of its allowance for doubtful accounts. In addition, when tenants are in bankruptcy the Company makes estimates of the expected recovery of pre-petition administrative and damage claims. In some cases, the ultimate resolution of those claims can exceed beyond a year. These estimates have a direct impact on the Company's net income, because a higher bad debt reserve results in less net income.

The Company records interest income on investments in mortgage notes and 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

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

Gain on sales of real estate are recorded when title is conveyed to the buyer, subject to the buyer's financial commitment being sufficient to provide economic substance to the sale and the Company having no substantial continuing involvement with the buyer.

Real Estate

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

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

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

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

Long Lived Assets

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

The Company is required to make subjective assessments as to whether there are impairments in the value of its real estate properties and other investments. These assessments have a direct impact on the Company's net income, because taking an impairment results in an immediate negative adjustment to net income. In determining impairment, if any, the Company has adopted Financial Accounting Standards Board ("FASB") Statement No. 144, "Accounting for the Impairment or Disposal of Long Lived Assets".

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Stock-Based Compensation

Effective January 1, 2002 the Company has elected to follow FASB Statement No. 123, "Accounting for Stock Based Compensation" ("Statement No. 123"). Statement No. 123 requires the use of option valuation models which determine the fair value of the option on the date of the grant. All future employee stock option grants will be expensed over the options' vesting periods based on the fair value at the date of the grant in accordance with Statement No. 123. The Company expects minimal financial impact from the adoption of Statement No. 123. To determine the fair value of the stock options granted, the Company uses a Black-Scholes option pricing model. Historically, the Company had applied Accounting Principles Board Opinion No. 25 and related interpretations in accounting for its stock option plans and reported pro forma disclosures in its Form 10-K filings by estimating the fair value of options issued and the related expense in accordance with Statement No. 123. Accordingly, no compensation cost had been recognized for its stock option plans prior to the Company's adoption of Statement No. 123.

In December 2002, the FASB issued Statement No. 148, "Accounting for Stock-Based Compensation--Transition and Disclosure" ("Statement No. 148"). Statement No. 148 amends Statement No. 123 to provide alternative methods of transition for an entity that voluntarily adopts the fair value recognition method of recording stock option expense. Statement No. 148 also amends the disclosure provisions of Statement 123 and APB Opinion No. 28. "Interim Financial Reporting" to require disclosure in the summary of significant accounting policies of the effects of an entity's accounting policy with respect to stock options on reported net income and earnings per share in annual and interim financial statements.

OVERVIEW AND BACKGROUND

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

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

In connection with the IPO, the Company was granted ten year options to acquire ten properties (the "Option Properties") which are either owned by certain Rechler family members who are also executive officers of the Company, or in which the Rechler family members own a non-controlling minority interest at a price based upon an agreed upon formula. In years prior to 2001, one Option Property was sold by the Rechler family members to a third party and four of the Option 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. Currently, certain Rechler family members retain their equity interests in the five remaining Option Properties (the "Remaining Option Properties") which were not contributed to the Company as part of the IPO. Such options provide the Company the right to acquire fee interest in two of the Remaining Option Properties and

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the Rechlers' minority interests in three Remaining Option Properties. The Independent Directors are currently reviewing whether the Company should exercise one or more of the options relating to the Remaining Option Properties.

The Company conducts its management, leasing and construction related services through taxable REIT subsidiaries as defined by the Internal Revenue Code of 1986 (the "Code"). These services are currently provided by Reckson Management Group, Inc., RANY Management Group, Inc., Reckson Construction Group New York, Inc. and Reckson Construction Group, Inc. (collectively, the "Service Companies") in which, as of September 30, 2002, the Operating Partnership owned a 97%

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non-controlling interest. An entity which is substantially owned by certain Rechler family members who are also executive officers of the Company owned a 3% controlling interest in the Service Companies. In order to minimize the potential for corporate conflicts of interests which became possible as a result of changes to the Code that permit REITs to own 100% of taxable REIT subsidiaries, the Independent Directors of the Company approved the purchase by the Operating Partnership of the remaining 3% interest in the Service Companies. On October 1, 2002, the Operating Partnership acquired such 3% interests in the Service Companies for an aggregate purchase price of approximately \$122,000. Such amount was less than the total amount of capital contributed to the Service Companies by the Rechler family members. As a result of the acquisition of the remaining interests in the Service Companies, the Operating Partnership commenced consolidating the operations of the Service Companies. During 2002, Reckson Construction Group, Inc. billed approximately \$144,000 of market rate services and Reckson Management Group, Inc. billed approximately \$313,000 of market rate management fees to the Remaining Option Properties. In addition, for the year ended December 31, 2002, Reckson Construction Group, Inc. performed market rate services, aggregating approximately \$322,000 for a property in which certain executive officers maintain an equity interest.

Reckson Management Group, Inc. leases 43,713 square feet of office and storage space at a Remaining Option Property for its corporate offices located in Melville, New York at an annual base rent of approximately \$1.2 million. Reckson Management Group, Inc. also leases 10,722 square feet of warehouse space used for equipment, materials and inventory storage at a Remaining Option Property located in Deer Park, New York at an annual base rent of approximately \$75,000.

A company affiliated with an Independent Director of the Company leases 15,566 square feet in a property owned by the Company at an annual base rent of approximately \$431,500. Reckson Strategic Venture Partners, LLC ("RSVP") leases 5,144 square feet in one of the Company's joint venture properties at an annual base rent of approximately \$176,000.

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

During September 2000, the Company formed a joint venture (the "Tri-State JV") with Teachers Insurance and Annuity Association ("TIAA") and contributed nine Class A suburban office properties aggregating approximately 1.5 million square feet to the Tri-State JV for a 51% majority ownership interest. TIAA contributed approximately \$136 million for a 49% interest in the Tri-State JV

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which was then distributed to the Company. The Company is responsible for managing the day-to-day operations and business affairs of the Tri-State JV and has substantial rights in making decisions affecting the properties such as leasing, marketing and financing. The minority member has certain rights primarily intended to protect its investment. For purposes of its financial statements the Company consolidates the Tri-State JV.

On December 21, 2001, the Company formed a joint venture with the New York State Teachers' Retirement Systems ("NYSTRS") (the "919JV") whereby NYSTRS acquired a 49% indirect interest in the property located at 919 Third Avenue, New York, NY for \$220.5 million which included \$122.1 million of its proportionate share of secured mortgage debt and approximately \$98.4 million of cash which was then distributed to the Company. The Company is responsible for managing the day-to-day operations and business affairs of the 919JV and has substantial rights in making decisions affecting the property such as developing a budget, leasing and marketing. The minority member has certain rights primarily intended to protect its investment. For purposes of its financial statements the Company consolidates the 919JV.

As of December 31, 2002 the Company owned 178 properties (inclusive of 11 joint venture properties) in the Tri-State Area suburban and Central Business District ("CBD") markets, encompassing approximately 20.3 million rentable square feet, all of which are managed by the Company. These properties include 60 Class A suburban office properties encompassing approximately 8.5 million rentable square feet, of which 42 of these properties, or 74% as measured by square footage, are located within the Company's ten office parks. Reckson has historically emphasized the development and

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acquisition of properties that are part of large-scale suburban office parks. The Company believes that owning properties in planned office and industrial parks provides certain strategic advantages, including the following: (i) certain tenants prefer being located in a park with other high quality companies to enhance their corporate image, (ii) parks afford tenants certain aesthetic amenities such as a common landscaping plan, standardization of signage and common dining and recreational facilities, (iii) tenants may expand (or contract) their business within a park, enabling them to centralize business functions and (iv) a park provides tenants with access to other tenants and may facilitate business relationships between tenants. The properties also include 15 Class A CBD office properties encompassing approximately 5.1 million rentable square feet. The CBD office properties consist of five properties located in New York City, eight properties located in Stamford, CT and two properties located in White Plains, NY. Additionally, the properties include 101 industrial / R&D properties encompassing approximately 6.7 million rentable square feet, of which 71 of these properties, or 58% as measured by square footage, are located within the Company's three industrial parks. The properties also include two retail properties comprising approximately 20,000 rentable square feet. The Company also owns a 355,000 square foot office property located in Orlando, Florida.

The Company also owns approximately 338 acres of land in 14 separate parcels of which the Company can develop approximately 3.2 million square feet of office space and approximately 470,000 square feet of industrial / R&D space. The Company is currently evaluating alternative land uses for certain of the land holdings to realize the highest economic value. These alternatives may include rezoning certain land parcels from commercial to residential for potential disposition. As of December 31, 2002, the Company had invested approximately \$121.2 million in these development projects. Management has made subjective assessments as to the value and recoverability of these investments

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based on current and proposed development plans, market comparable land values and alternative use values. The Company has capitalized approximately \$10.5 million during 2002 related to real estate taxes, interest and other carrying costs related to these development projects. Since the IPO, the Company has developed, redeveloped, renovated or repositioned 27 properties encompassing approximately 5.3 million square feet of office and industrial / R&D space.

During February 2003, the Company, through Reckson Construction Group, Inc., entered into a contract with an affiliate of First Data Corp. to sell a 19.3-acre parcel of land located in Melville, N.Y. and has been retained by the purchaser to develop a build-to-suit 195,000 square foot office building for aggregate consideration of approximately \$47 million. This transaction is scheduled to close during the first quarter of 2003 and construction of the aforementioned office building is scheduled to commence shortly thereafter.

The Company holds a \$17.0 million note receivable which bears interest at 11.5% per annum and is secured by a minority partnership interest in Omni Partners, L.P., owner of the Omni, a 579,000 square foot Class A office property located in Uniondale, N.Y. (the "Omni Note"). The Company currently owns a 60% majority partnership interest in Omni Partners, L.P. and on March 14, 2007 may exercise an option to acquire the remaining 40% interest for a price based on 90% of the fair market value of the property. The Company also holds three other notes receivable aggregating \$36.5 million which bear interest at rates ranging from 10.5% to 12% per annum and are secured in part by a minority partner's preferred unit interest in the Operating Partnership, certain interest in real property and a personal guaranty (the "Other Notes" and collectively with the Omni Note, the "Note Receivable Investments"). As of December 31, 2002, management has made subjective assessments as to the underlying security value on the Company's Note Receivable Investments. Based on these assessments the Company's management believes there is no impairment to the carrying value related to the Company's Note Receivable Investments. The Company also owns a 355,000 square foot office building in Orlando, Florida. This non-core real estate holding was acquired in May 1999 in connection with the Company's initial New York City portfolio acquisition. This property is cross collateralized under a \$103 million mortgage note payable along with one of the Company's New York City buildings.

The Company also owns a 60% non-controlling interest in a 172,000 square foot office building located at 520 White Plains Road in White Plains, New York (the "520JV") which it manages. The remaining 40% interest is owned by JAH Realities L.P. Jon Halpern, the CEO and a director of HQ

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Global Workplaces, is a partner in JAH Realities, L.P. As of December 31, 2002, the 520JV had total assets of \$21.0 million, a mortgage note payable of \$12.5 million and other liabilities of \$197,000. The Company's allocable share of the 520JV mortgage note payable is approximately \$7.5 million. This mortgage note payable bears interest at 8.85% per annum and matures on September 1, 2005. In addition, the 520JV had total revenues of \$4.2 million and \$4.0 million and total expenses of \$3.3 million and \$3.3 million for the years ended December 31, 2002 and 2001, respectively. The operating agreement of the 520JV requires joint decisions from all members on all significant operating and capital decisions including sale of the property, refinancing of the property's mortgage debt, development and approval of leasing strategy and leasing of rentable space. As a result of the decision-making participation relative to the operations of the property, the Company accounts for the 520JV under the equity method of accounting. The 520JV contributed approximately \$648,000 and \$478,000 to the Company's equity in earnings of real estate joint ventures for the year ended December 31, 2002 and 2001, respectively.

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Through its ownership of properties in the key CBD and suburban office markets in the Tri-State Area, the Company believes it has a unique competitive advantage as the trend toward the regional decentralization of the workplace increases. Due to the events of September 11, 2001, as well as technological advances which further enable decentralization, companies are strategically re-evaluating the benefits and feasibility of regional decentralization and reassessing their long-term space needs. The Company believes this multi-location regional decentralization will continue to take place, increasing as companies begin to have better visibility as to the future of the economy, further validating our regional strategy of maintaining a significant market share in each of the key CBD and suburban office markets in the Tri-State Area.

The Company's core business strategy is based on a long-term outlook considering real estate is a cyclical business. The Company seeks to accomplish long-term stability and success by developing and maintaining an infrastructure and franchise that is modeled for success over the long-term. This approach allows the Company to recognize different points in the market cycle and adjust our strategy accordingly. Currently, the Company remains cautious about the market environment. With this cautious bias we choose to maintain our conservative operating strategy of focusing on retaining high occupancies, controlling operating expenses, maintaining a high level of investment discipline and preserving financial flexibility.

The market capitalization of the Company at December 31, 2002 was approximately \$3.1 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 \$21.05 per share / unit (based on the closing price of the Company's Class A common stock on December 31, 2002), (ii) the market value of the Company's Class B common stock of \$22.40 per share (based on the closing price of the Company's Class B common stock on December 31, 2002), (iii) the liquidation preference value of the Company's Series A preferred and Series B preferred stock of \$25 per share, (iv) the liquidation preference value of the Operating Partnership's preferred units of \$1,000 per unit and (v) approximately \$1.4 billion (including its share of joint venture debt and net of minority partners' interests share of joint venture debt) of debt outstanding at December 31, 2002. As a result, the Company's total debt to total market capitalization ratio at December 31, 2002 equaled approximately 44.9%.

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

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and the FrontLine Facility hereafter, the "FrontLine Loans"). During March 2001, the Company increased the RSVP Commitment to \$110 million and as of December 31, 2002, approximately \$109.1 million had been funded through the RSVP Commitment, of which \$59.8 million represents investments by the Company in RSVP-controlled (REIT-qualified) joint ventures and \$49.3 million represents loans made to FrontLine under the RSVP Facility. As of December 31, 2002, interest accrued (net of reserves) under the FrontLine Facility and the RSVP Facility was approximately \$19.6 million. RSVP retained the services of two managing directors to manage RSVP's day to day operations. Prior to the spin off of Frontline, the Company guaranteed certain salary provisions of their employment agreements with RSVP Holdings, LLC, RSVP's common member. The term of these employment agreements is seven years commencing March 5, 1998, provided however, that the term may be earlier terminated after five years upon certain circumstances. The salary for each managing director is \$1 million in the first five years and \$1.6 million in years six and seven.

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

At December 31, 2001, the Company, pursuant to Section 166 of the Code, charged off for tax purposes \$70 million of the aforementioned reserve directly related to the FrontLine Facility, including accrued interest. On February 14, 2002, the Company charged off for tax purposes an additional \$38 million of the reserve directly related to the FrontLine Facility, including accrued interest, and \$47 million of the reserve directly related to the RSVP Facility, including accrued interest.

FrontLine is in default under the FrontLine Loans from the Operating Partnership and on June 12, 2002, filed a voluntary petition for relief under Chapter 11 of the U.S. Bankruptcy Code.

As a result of the foregoing, the net carrying value of the Company's investments in the FrontLine Loans and joint venture investments with RSVP, inclusive of the Company's share of previously accrued GAAP equity in earnings on those investments, is approximately \$65 million which was reassessed with no change by management as of December 31, 2002. Such amount has been reflected in investments in service companies and affiliate loans and joint ventures on the Company's consolidated balance sheet. The common and preferred members of RSVP are currently in dispute over certain provisions of the RSVP operating agreement. The members are currently negotiating to restructure the RSVP operating agreement to settle the dispute. There can be no assurances that the members will successfully negotiate a settlement.

Both the FrontLine Facility and the RSVP Facility terminate on June 15, 2003, are unsecured and advances thereunder are recourse obligations of FrontLine. Notwithstanding the valuation reserve, under the terms of the credit

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facilities, interest accrued on the FrontLine Loans at a rate equal to the greater of (a) the prime rate plus two percent and (b) 12% per annum, with the rate on amounts that were outstanding for more than one year increasing annually at a rate of four percent of the prior year's rate. In March 2001, the credit facilities were amended to provide that (i) interest is payable only at maturity and (ii) the Company may transfer all or any portion of its rights or obligations under the credit facilities to its affiliates. The Company requested these changes as a result of changes in REIT tax laws. As a result of FrontLine's default under the FrontLine Loans, interest on borrowings thereunder accrue at default rates ranging between 13% and 14.5% per annum.

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Scott H. Rechler, who serves as Co-Chief Executive Officer and a director of the Company, serves as CEO and Chairman of the Board of Directors of FrontLine.

HQ Global Workplaces, Inc. ("HQ"), one of the largest providers of flexible officing solutions in the world and which is controlled by FrontLine, currently operates nine (formerly eleven) executive office centers in the Company's properties, three of which are held through joint ventures. The leases under which these office centers operate expire between 2008 and 2011, encompass approximately 202,000 square feet and have current contractual annual base rents of approximately \$6.1 million. On March 13, 2002, as a result of experiencing financial difficulties, HQ voluntarily filed a petition for relief under Chapter 11 of the U.S. Bankruptcy Code. Subsequent to HQ filing for bankruptcy protection it defaulted under their leases with the Company. Further, effective March 13, 2002, the Bankruptcy Court granted HQ's petition to reject two of its leases with the Company. The two rejected leases aggregated approximately 23,900 square feet and provided for contractual base rents of approximately \$548,000 for the 2002 calendar year. Commencing April 1, 2002 and pursuant to the bankruptcy filing, HQ has been paying current rental charges under its leases with the Company, other than under the two rejected leases. The Company is in negotiation to restructure four of the leases and leave the terms of the remaining five leases unchanged. All negotiations with HQ are conducted through a committee designated by the Board and chaired by an independent director. There can be no assurance as to whether any deal will be consummated with HQ or if HQ will affirm or reject any or all of its remaining leases with the Company. As a result of the foregoing, the Company has reserved approximately \$550,000 (net of minority partners' interests and including the Company's share of unconsolidated joint venture interest), or 74%, of the amounts due from HQ as of December 31, 2002. Scott H. Rechler serves as non-executive Chairman of the Board of HQ and Jon Halpern is the Chief Executive Officer and a director of HQ.

WorldCom/MCI and its affiliates ("WorldCom"), a telecommunications company, which leased, as of December 31, 2002, approximately 527,000 square feet in thirteen of the Company's properties located throughout the Tri-State Area voluntarily filed a petition for relief under Chapter 11 of the U.S. Bankruptcy Code on July 21, 2002. The total annualized base rental revenue from these leases amounted to approximately \$12.0 million, or 2.9% of the Company's total 2002 annualized rental revenue, making it the Company's second largest tenant based on base rental revenue earned on a consolidated basis. All of WorldCom's leases were current on base rental charges through December 31, 2002 and the Company currently holds approximately \$300,000 in security deposits relating to these leases. In February 2003, the Bankruptcy Court granted WorldCom's petition to reject three of its leases with the Company. The three rejected leases aggregated approximately 192,000 square feet and provided for contractual base rents of approximately \$4.8 million for the 2002 calendar year. The Company is currently in negotiations to restructure the remaining

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WorldCom leases. There can be no assurance as to whether WorldCom will affirm or reject any or all of its remaining leases with the Company. As a result of the foregoing, the Company has written off approximately \$1.1 million of deferred rent receivable. In addition, the Company reserved an additional \$475,000 against the deferred rents receivable representing approximately 46% of the outstanding deferred rents receivable attributable to the remaining WorldCom leases.

MetroMedia Fiber Network Services, Inc. ("MetroMedia"), which leased approximately 112,000 square feet in one property from the Company, voluntarily filed a petition for relief under Chapter 11 of the U.S. Bankruptcy Code in May 2002. MetroMedia's lease with the Company provided for contractual base rent of approximately \$25 per square foot amounting to \$2.8 million per calendar year and expired in May 2010. In July 2002, the Bankruptcy Court granted MetroMedia's petition to restructure and reduce space under its existing lease. As a result, the lease was amended to reduce MetroMedia's space by 80,357 square feet to 31,718 square feet. Annual base rent on the 31,718 square feet MetroMedia will continue to lease is \$25 per square foot amounting to approximately \$793,000 per annum. Further, pursuant to the Bankruptcy Court order MetroMedia is required to pay to the Company a surrender fee of approximately \$1.8 million. As a result of the foregoing, the Company wrote-off approximately \$388,000 of deferred rent receivable relating to this lease and recognized the aforementioned surrender fee.

Arthur Andersen, LLP ("AA") leased approximately 38,000 square feet in one of the Company's New York City buildings. AA's lease with the Company provided for base rent of approximately \$2

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million on an annualized basis and expired in April 2004. AA has experienced significant financial difficulties with its business and as a result has entered into a lease termination agreement with the Company effective November 30, 2002. In October 2002, AA paid the Company for all base rental and other charges through November 30, 2002 and a lease termination fee of approximately \$144,000. As a result of the foregoing, the Company has written off approximately \$130,000 of deferred rent receivable attributable to AA's lease.

RESULTS OF OPERATIONS

The Company's total revenues decreased by \$8.6 million or 1.7% from 2001 to 2002 and increased by \$31.3 million or 6.5% from 2000 to 2001. Property operating revenues, which include base rents and tenant escalations and reimbursements ("Property Operating Revenues") increased by \$3.9 million or .8% from 2001 to 2002 and \$45.7 million or 10.2% from 2000 to 2001. The 2002 increase in Property Operating Revenues is attributable to net increases in rental rates and lease termination fees in our "same store" properties of \$8.2 million. In addition, Property Operating Revenues increased by \$8.7 million attributable to lease up of newly developed and redeveloped assets. These increases were offset by \$10.6 million of revenue attributable to six properties that were sold in 2001 and an increase in reserves or write-offs of \$2.4 million related to tenant receivables and deferred rents receivable. The 2001 increase in Property Operating Revenues is primarily attributable to increases in rental rates in our "same store" properties amounting to \$29.3 million. In addition, \$12.4 million of the increase was generated by the lease up of newly developed and redeveloped properties added to the operating portfolio. The increase in Property Operating Revenues offset the decrease of \$14.4 million in other revenues. This decrease is primarily due to a decrease of \$11.6 million related to interest earned on advances made under the

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FrontLine Loans.

The Company's base rent reflects the positive impact of the straight-line rent adjustment of \$26.6 million in 2002, \$41.6 million in 2001 and \$38.8 million in 2000. The 2002, 2001 and 2000 straight-line rent adjustment includes \$9.4 million, \$26.9 million and \$23.3 million, respectively, generated from the property located at 919 Third Avenue, New York, NY, which is primarily attributable to rental abatement periods for the three largest tenants.

During the year ended December 31, 2002, the Company incurred approximately \$6.3 million of bad debt expense related to tenant receivables and deferred rents receivable which accordingly reduced total revenues for the year then ended.

Property operating expenses, real estate taxes and ground rents ("Property Expenses") increased by \$7.8 million or 4.6% from 2001 to 2002 and \$11.2 million or 7.2% from 2000 to 2001. The 2002 increase in Property Expenses is primarily due to a \$5.3 million increase in property operating expenses and a \$5.9 million increase in real estate taxes related to our "same store" properties. Included in the \$5.3 million increase in property operating expenses is \$2.7 million and \$1.4 million of increased insurance and security costs, respectively. These increases result primarily from implications of the events that occurred on September 11, 2001 and the security cost increases relate primarily to our New York City properties. In addition, Property Expenses increased by \$2.0 million attributable to the lease up of newly developed and redeveloped properties. These increases in Property Expenses were offset by \$5.4 million of expenses attributable to six properties that were sold in 2001. The 2001 increase in Property Expenses is primarily due to an increase in property operating expenses of \$10.2 million in our "same-store" properties which consists of a \$6.2 million increase in property operating expenses and a \$4.0 million increase in real estate taxes. The increase in Property Expenses is also attributable to increases in labor costs, maintenance contracts and security costs. In addition, there was an increase in Property Expenses of \$2.7 million due to higher occupancy levels at our developed and redeveloped properties.

Gross operating margins (defined as Property Operating Revenues less Property Expenses, taken as a percentage of Property Operating Revenues) for 2002, 2001 and 2000 were 64.9%, 66.1% and 65.2%, respectively. The slight decrease from 2001 to 2002 in gross operating margin percentages resulted primarily from portfolio wide increases in real estate taxes and property and liability insurance costs. The increase from 2000 to 2001 is primarily due to an increase in rental rates.

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Marketing, general and administrative expenses were \$31.6 million in 2002, \$30.6 million in 2001 and \$27.2 million in 2000. The increase in marketing, general and administrative expenses is primarily due to the increased costs of maintaining offices and infrastructure in each of the Company's five divisional markets and costs associated with the growth of the Company. The Company's business strategy has been to expand further into the Tri-State Area suburban and CBD markets and the New York City market, to create a superior franchise value by applying its standards for high quality office and industrial / R&D space and premier tenant service to its five operating divisions. Over the past three years the Company has supported this effort by increasing its marketing programs and strengthening its resources and operating systems. The cost of these efforts is reflected in both marketing, general and administrative expenses as well as the revenue growth of the Company. To a lesser extent, in 2001, the increase in marketing, general and administrative costs was impacted

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by legal and professional fees incurred in connection with certain cancelled acquisition transactions and amortization of deferred compensation costs. Marketing, general and administrative expenses as a percentage of operating revenues from continuing operations were 6.2% in 2002, 5.9% in 2001 and 5.6% in 2000.

Interest expense was \$88.6 million in 2002, \$93.1 million in 2001 and \$96.3 million in 2000. The decrease of \$4.5 million from 2001 to 2002 is attributable to an overall decrease in interest rates on the Company's unsecured credit facility amounting to approximately \$8.7 million. This decrease was offset by (i) increased interest expense of \$1.7 million on the Company's senior unsecured notes resulting from the issuance of \$50 million of five-year notes in June 2002, (ii) a net increase in mortgage interest expense of approximately \$520,000 which was primarily attributable to the \$50 million principal increase on the debt of 919 Third Avenue in July 2001 and the satisfaction of three mortgage notes payable aggregating approximately \$24.3 million during 2001 and (iii) approximately a \$2.0 million decrease in capitalized interest attributable to a decrease in the level of development projects. The decrease of \$3.2 million from 2000 to 2001 is attributable to lower interest rates and a decreased average balance on the Company's unsecured credit facility. This was partially offset by an increase in the Company's mortgage notes payable which was the result of the refinancing of the property located at 919 Third Avenue, New York, NY. The weighted average balance outstanding on the Company's unsecured credit facility was \$284.5 million in 2001 and \$416.5 million in 2000.

Included in depreciation and amortization expense is amortized financing costs of \$4.5 million in 2002, \$4.5 million in 2001 and \$4.1 million in 2000.

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

Extraordinary losses, net of limited partners' minority interest, resulted in a \$2.4 million loss in 2002, a \$2.6 million loss in 2001 and a \$1.4 million loss in 2000. The extraordinary losses were all attributable to the write-offs of certain deferred loan costs incurred in connection with the Company's refinancing of its debt.

LIQUIDITY AND CAPITAL RESOURCES

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

activities along with the Credit Facility previously discussed. The Credit Facility contains several financial covenants with which the Company must be in compliance in order to borrow funds thereunder. During certain quarterly periods, the Company may incur significant leasing costs as a result of increased market demands from tenants and high levels of leasing transactions. As a result, during these periods the Company's cash flow from operating activities may not be sufficient to pay 100% of the quarterly dividends due on its common stock. To meet the short-term funding requirements relating to these leasing costs, the Company may use proceeds of property sales or borrowings under its Credit Facility. 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. There can be no assurance that there will be adequate demand for the Company's equity at the time or at the price in which the Company desires to raise capital through the sale of additional equity. In addition, when valuations for commercial real estate properties are high, the Company will seek to sell certain properties or interests therein to realize value and profit created. The Company will then seek opportunities to reinvest the capital realized from these dispositions back into value-added assets in the Company's core Tri-State Area markets, as well as pursue its stock repurchase program. The Company will refinance existing mortgage indebtedness or indebtedness under the Credit Facility at maturity or retire such debt through the issuance of additional debt securities or additional equity securities. The Company anticipates that the current balance of cash and cash equivalents and cash flows from operating activities, together with cash available from borrowings and equity offerings, will be adequate to meet the capital and liquidity requirements of the Company in both the short and long-term.

As a result of current economic conditions, certain tenants have either not renewed their leases upon expiration or have paid the Company to terminate their leases. In addition, a number of U.S. companies have filed for protection under federal bankruptcy laws. Certain of these companies are tenants of the Company. The Company is subject to the risk that other companies that are tenants of the Company may file for bankruptcy protection. This may have an adverse impact on the financial results and condition of the Company. In addition, vacancy rates in our markets have been trending higher and in some instances our asking rents in our markets have been trending lower and landlords are being required to grant greater concessions such as free rent and tenant improvements. Additionally, the Company carries comprehensive liability, fire, extended coverage and rental loss insurance on all of its properties. Five of the Company's properties are located in New York City. As a result of the events of September 11, 2001, insurance companies are limiting coverage for acts of terrorism in all risk policies. In November 2002, the Terrorism Risk Insurance Act of 2002 was signed into law which, among other things, requires insurance companies to offer coverage for losses resulting from defined "acts of terrorism" through 2004. The Company's current insurance coverage provides for full replacement cost of its properties, except that the coverage for acts of terrorism on its properties covers losses in an amount up to \$300 million per occurrence. As a result, the Company may suffer losses from acts of terrorism that are not covered by insurance. In addition, the mortgage loans which are secured by certain of the Company's properties contain customary covenants, including covenants that require the Company to maintain property insurance in an amount equal to replacement cost of the properties. There can be no assurance that the lenders under these mortgage loans will not take the position that exclusions from the Company's coverage for losses due to terrorist acts is a breach of a covenant which, if uncured, could allow the lenders to declare an event of default and accelerate repayment of the mortgage

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loans. Other outstanding debt instruments contain standard cross default provisions that would be triggered in the event of an acceleration of the mortgage loans. This matter could adversely affect the Company's financial results, its ability to finance and/or refinance its properties or to buy or sell properties.

The terrorist attacks of September 11, 2001 in New York City may adversely effect the value of the Company's New York City properties and its ability to generate cash flow. There may be a decrease in demand in metropolitan areas that are considered at risk for future terrorist attacks, and this decrease may reduce the Company's revenues from property revenues.

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.

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Summary of Cash Flows

Net cash provided by operating activities totaled \$196.1 million in 2002, \$186.0 million in 2001 and \$169.2 million in 2000. Increases for each year were primarily attributable to the growth in cash flow provided by the acquisition of properties and / or the increased occupancy levels of the Company's development properties and the increase in rental rates in all of the Company's markets. The lower level of increase in 2002 is attributable to a more competitive operating environment in which the Company did not acquire additional properties as well as a decrease in market rental rates and occupancies in the Company's markets.

Net cash used in investing activities totaled \$85.1 million in 2002, \$87.5 million in 2001 and \$261.3 million in 2000. The decrease in cash flows used in investing activities over the past three years is primarily attributable to the Company's decrease in property acquisitions. Cash used in investing activities during 2002 related primarily to the Company's ongoing development of its properties, the acquisition of approximately 52.7 acres of development land located in Valhalla, NY and costs associated with creating tenant space including the payment of leasing costs. Cash used in investing activities during 2001 and 2000 related primarily to investments in real estate properties including development costs. Included in these investing activities for the 2001 and 2000 periods is the Company's investments of approximately \$18.7 million and \$16.3 million, respectively, in RSVP-controlled (REIT qualified) joint ventures. Cash used in investing activities for the 2001 and 2000 periods was offset by proceeds from the redemption of the Company's preferred equity investments in Keystone Property Trust as well as from sales of real estate, securities and mortgage note receivable repayments in each of the years then ended.

Net cash used in financing activities totaled \$202.2 million in 2002. Net cash provided by financing activities totaled \$5.7 million in 2001 and \$88.6 million in 2000. Cash used in financing activities during 2002 related primarily to the Company's stock buy-back program and repurchases of its Series A preferred stock aggregating approximately \$75 million. In addition, during 2002 cash used in financing activities was impacted by principal payments on secured borrowings and dividends and distributions. These uses of cash were offset by the Company issuing \$50 million of five-year senior unsecured notes. Cash provided by financing activities during 2001 and 2000 related primarily to

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proceeds from secured debt financings, minority partner contributions and advances under the Company's unsecured credit facility. Cash provided by financing activities for the 2001 and 2000 periods was offset by advances made under the FrontLine Loans of approximately \$7.2 million and \$13.6 million, respectively. Cash provided by financing activities during these years was also offset by principal payments on secured borrowings and the unsecured credit facility as well as loan and equity issuance costs and dividends and distributions.

Investing Activities

On April 1, 2002, the Company paid approximately \$23.8 million to acquire 52.7 acres of land located in Valhalla, NY on which the Company can develop approximately 875,000 square feet of office space. The Company currently owns and operates three buildings encompassing approximately 700,000 square feet in the same office park in which this land parcel is located. This acquisition was financed in part from the sales proceeds of an office property being held by a qualified intermediary for the purposes of an exchange of real property pursuant to Section 1031 of the Code and from an advance under the Credit Facility.

On August 7, 2002, the Company sold an industrial property on Long Island aggregating approximately 32,000 square feet for approximately \$1.8 million. This property was sold to the sole tenant of the property through an option contained in the tenant's lease. On August 8, 2002, the Company sold two Class A office properties located in Westchester County, NY aggregating approximately 157,000 square feet for approximately \$18.5 million. Net proceeds from these sales were used to repay borrowings under the Credit Facility and for general corporate purposes.

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

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

Included in these investments is approximately \$16.5 million of cash that has been contributed to the respective RSVP controlled joint ventures or advanced under the RSVP Commitment to FrontLine and is being held, along with cash contributed by the preferred investors.

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Financing Activities

During 2002, the Company paid cash dividends on its Class A common stock of approximately \$1.70 per share and approximately \$2.59 per share on its Class B common stock.

The Board of Directors of the Company has authorized the purchase of up to five million shares of the Company's Class A common stock and / or its Class B common stock. It is anticipated that transactions conducted on the New York Stock Exchange will be effected in accordance with the safe harbor provisions of the Securities Exchange Act of 1934 and may be terminated by the Company at any time.

As of December 31, 2002, under this buy-back program, the Company purchased 368,200 shares of Class B common stock at an average price of \$22.90 per Class B share and 2,698,400 shares of Class A common stock at an average price of \$21.60 per Class A share for an aggregate purchase price for both the Class A and Class B common stock of approximately \$66.7 million. As a result of these purchases, annual common stock dividends will decrease by approximately \$5.5 million. Previously, under the Company's prior stock buy-back program, the Company purchased and retired 1,410,804 shares of Class B common stock at an average price of \$21.48 per Class B share and 61,704 shares of Class A common stock at an average price of \$23.03 per Class A share for an aggregate purchase price for both the Class A and Class B common stock of approximately \$31.7 million.

The Board of Directors of the Company has formed a pricing committee to consider purchases of up to \$75 million of the Company's outstanding preferred securities. During October 2002, the Company purchased and retired 357,500 shares of its Series A preferred stock at \$22.29 per share for approximately \$8.0 million. As a result of this purchase, annual preferred dividends will decrease by approximately \$682,000.

During the year ended December 31, 2002, approximately 11,303 preferred units of limited partnership interest in the Operating Partnership, with a liquidation preference value of approximately \$11.3 million, were exchanged for 451,934 OP Units at an average price of \$24.66 per OP Unit. In addition, 666,468 OP Units were exchanged for an equal number of shares of the Company's Class A common stock.

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

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In May 2001, a minority partner that owned an \$85 million preferred equity investment in Metropolitan converted its preferred equity investment into 3,453,881 shares of the Company's Class A common stock based on a conversion price of \$24.61 per share. As a result of the minority partner's conversion of its preferred equity investment, the Company owns 100% of Metropolitan.

The Company currently has a three year \$500 million unsecured revolving credit facility (the "Credit Facility") from JPMorgan Chase Bank, as administrative agent, Wells Fargo Bank, National Association as syndication agent and Citicorp North America, Inc. and Wachovia Bank, National Association as co-documentation agents. The Credit Facility matures in December 2005,

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contains options for a one year extension subject to a fee of 25 basis points and, upon receiving additional lender commitments, increasing the maximum revolving credit amount to \$750 million. In addition, borrowings under the Credit Facility are currently priced off LIBOR plus 90 basis points and the Credit Facility carries a facility fee of 20 basis points per annum. In the event of a change in the Operating Partnership's unsecured credit rating the interest rates and facility fee are subject to change. The outstanding borrowings under the Credit Facility were \$267.0 million at December 31, 2002.

The Credit Facility replaced the Company's \$575 million unsecured credit facility (the "Prior Facility" and together with the Credit Facility, the "Credit Facility"). As a result, certain deferred loan costs incurred in connection with the Prior Facility were written off. Such amount is reflected as an extraordinary loss in the Company's consolidated statements of operations.

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, 2002, the Company had availability under the Credit Facility to borrow approximately an additional \$203.0 million subject to compliance with certain financial covenants.

On June 17, 2002, the Operating Partnership issued \$50 million of five-year 6.00% (6.125% effective rate) senior unsecured notes. Net proceeds of approximately \$49.4 million received from this issuance were used to repay outstanding borrowings under the Prior Facility.

Capitalization

The Company's indebtedness at December 31, 2002 totaled approximately \$1.4 billion (including its share of joint venture debt and net of minority partners' interests share of joint venture debt) and was comprised of \$267.0 million outstanding under the Credit Facility, approximately \$499.3 million of senior unsecured notes and approximately \$605.1 million of mortgage indebtedness with a weighted average interest rate of approximately 7.3% and a weighted average maturity of approximately 9.0 years. Based on the Company's total market capitalization of approximately \$3.1 billion at December 31, 2002 (calculated based on the sum of (i) the market value of the Company's Class A common stock and OP Units, assuming conversion, (ii) the market value of the Company's Class B common stock, (iii) the liquidation preference value of the Company's preferred stock, (iv) the liquidation preference value of the Operating Partnership's preferred units and (v) the \$1.4 billion of debt), the Company's debt represented approximately 44.9% of its total market capitalization.

During 2002, the Company repurchased 2,698,400 shares of its Class A common stock, 368,200 shares of its Class B common stock and 357,500 shares of its Series A preferred stock for an aggregate price of approximately \$75 million dollars. In addition, the Operating Partnership issued \$50 million of five-year, 6.00% senior unsecured notes. Net proceeds from this issuance were used to repay outstanding borrowings under the Prior Facility.

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.

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Contractual Obligations and Commercial Commitments

The following table sets forth the Company's significant debt obligations by scheduled principal cash flow payments and maturity date and its commercial commitments by scheduled maturity at December 31, 2002 (in thousands):

	MATURITY DATE				
	2003	2004	2005	2006	2007
Mortgage notes payable (1)	\$12,300	\$ 13,169	\$ 14,167	\$ 13,785	\$ 11,305
Mortgage notes payable (2) (3)	--	2,616	18,553	129,920	60,539
Senior unsecured notes	--	100,000	--	--	200,000
Unsecured credit facility	--	--	267,000	--	--
Land lease obligations	2,707	2,811	2,814	2,795	2,735
Operating leases	1,368	1,313	1,359	1,407	1,455
All rights lease obligations	369	379	379	379	379
	\$16,744	\$120,288	\$304,272	\$148,286	\$276,413
	=====	=====	=====	=====	=====

(1) Scheduled principal amortization payments.

(2) Principal payments due at maturity.

(3) In addition, the Company has a 60% interest in an unconsolidated joint venture property. The Company's pro rata share of the mortgage debt at December 31, 2002 is approximately \$7.5 million. This mortgage note payable bears interest at 8.85% per annum and matures on September 1, 2005.

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

At December 31, 2002, the Company had approximately \$1.0 million in outstanding undrawn standby letters of credit issued under the Credit Facility. In addition, approximately \$45.1 million, or 6.1%, of the Company's mortgage debt is recourse to the Company.

Other Matters

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

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expire in 2013.

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

The Company has historically structured long term incentive programs ("LTIP") using restricted stock and stock loans. In July 2002, as a result of certain provisions of the Sarbanes Oxley legislation, the Company has discontinued the use of stock loans in its LTIP. In connection with LTIP grants made prior to the enactment of the Sarbanes Oxley legislation the Company made stock loans to certain executive and senior officers to purchase 1,372,393 shares of its Class A common stock at market prices ranging from \$18.44 per share to \$27.13 per share. The stock loans were set to bear interest at the mid-term Applicable Federal Rate and were secured by the shares purchased. Such stock loans (including accrued interest) vest and are ratably forgiven each year on the anniversary of the grant date based upon vesting periods ranging from four to ten years based on continued service and in part on attaining certain annual performance measures. These stock loans had an initial aggregate weighted average vesting period of approximately nine years. Approximately \$4.5 million and \$3.7 million of compensation expense was

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recorded for the years ended December 31, 2002 and 2001, respectively, related to these LTIP. Such amount has been included in marketing, general and administrative expenses on the accompanying consolidated statements of operations.

During 2002, approximately \$3.9 million of stock loans made in prior years in connection with the aforementioned LTIP matured. These stock loans were secured by 155,418 shares of Class A common stock which were issued at prices ranging from \$22.50 per share to \$27.13 per share. As a result of the Company discontinuing the use of stock loans as part of its LTIP the stock loans were satisfied with restricted stock held by the Company which secured the stock loans. The aggregate market value of these shares on the maturity dates of the stock loans was approximately \$3.4 million. The aggregate difference between the market value of these shares and the carrying value of the stock loans was recorded as a loss on the accompanying consolidated statements of operations. The 155,418 shares of Class A common stock were subsequently retired by the Company.

The outstanding stock loan balances due from executive and senior officers aggregated approximately \$17.0 million and \$24.3 million at December 31, 2002 and 2001, respectively, and have been included as a reduction of additional paid in capital on the accompanying consolidated statements of stockholders' equity. Other outstanding loans to executive and senior officers amounting to approximately \$1.0 million at December 31, 2002 and 2001, related to life insurance contracts and approximately \$1.0 million and \$.9 million at December 31, 2002 and 2001, respectively, primarily related to tax payment advances on a stock compensation award made to a non-executive officer.

In November 2002, the Company granted rights to 190,524 shares of its Class A common stock to certain executive officers. These shares vest ratably over a four year period and will be issued in ratable installments on each anniversary date of the grant as compensation to the executive officer.

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The Company has established a new LTIP for its executive and senior officers. The four year plan has a core component which provides for annual stock based compensation based upon continued service and in part based on attaining certain annual performance measures. The plan has a special long term component which provides for compensation to be earned at the end of a four year period if the Company attains certain four year cumulative performance measures. Amounts earned under the special long term component may be paid in cash or stock at the discretion of the Compensation Committee of the Board. Performance measures are based on total shareholder returns on a relative and absolute basis.

Funds From Operations

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

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

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

	2002	2001
	-----	-----
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, valuation reserves, discontinued operations and extraordinary loss	\$ 98,547	\$ 121,000
Add:		
Equity in earnings of real estate joint ventures and service companies	1,113	2,000
Gain on sales of real estate	537	20,000
Discontinued operations (net of limited partners' minority interest)	4,762	1,000
Limited partners' minority interest	--	5,000
Less:		
Minority partners' interests in consolidated partnerships	18,730	15,000
Limited partners' minority interest	6,238	23,000
Preferred dividends and distributions	23,123	23,000
Valuation reserves on investments in affiliate loans and joint ventures and other investments	--	166,000
Extraordinary loss, net of limited partners' minority interest	2,335	2,000
Net income (loss) allocable to common shareholders	54,533	(57,000)

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Adjustments for basic Funds From Operations

Add:

Limited partners' minority interest	6,948	
Real estate depreciation and amortization	108,906	100,
Minority partners' interests in consolidated partnerships	18,730	15,
Valuation reserves on investments in affiliate loans and joint ventures	--	163,
Extraordinary loss, net of limited partners' minority interest	2,335	2,

Less:

Limited partners' minority interest	--	5,
Gain on sales of real estate	5,433	20,
Amounts distributable to minority partners in consolidated partnerships	24,996	19,

Basic Funds From Operations	161,023	179,
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Add:

Dividends and distributions on dilutive shares and units	23,123	26,
--	--------	-----

Diluted Funds From Operations	\$ 184,146	\$ 206,
-------------------------------------	------------	---------

Weighted Average Shares/OP Units outstanding (1)	67,180	66,
--	--------	-----

Diluted Weighted Average Shares/OP Units outstanding (1)	78,133	79,
--	--------	-----

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

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INFLATION

The office leases generally provide for fixed base rent increases or indexed escalations. In addition, the office leases provide for separate escalations of real estate taxes, operating expenses and electric costs over a base amount. The industrial leases generally provide for fixed base rent increases, direct pass through of certain operating expenses and separate real estate tax escalations over a base amount. The Company believes that inflationary increases in expenses will be offset by contractual rent increases and expense escalations described above. As a result of the impact of the events of September 11, 2001, the Company has realized increased insurance costs, particularly relating to property and terrorism insurance, and security costs. The Company has included these costs as part of its escalatable expenses. The Company has billed these escalatable expense items to its tenants consistent with the terms of the underlying leases and believes they are collectible. To the extent the Company's properties contain vacant space, the Company will bear such inflationary increases in expenses.

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

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

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until such time as it is able to retire the short-term variable rate debt with either a long-term fixed rate debt offering, long term mortgage debt, equity offerings or through sales or partial sales of assets.

The Company will recognize all derivatives on the balance sheet at fair value. Derivatives that are not hedges will be adjusted to fair value through income. If a derivative is a hedge, depending on the nature of the hedge, changes in the fair value of the derivative will either be offset against the change in fair value of the hedged asset, liability or firm commitment through earnings, or recognized in other comprehensive income until the hedged item is recognized in earnings. The ineffective portion of a derivative's change in fair value will be immediately recognized in earnings. As of December 31, 2002, the Company had no derivatives.

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, 2002 (dollars in thousands):

	FOR THE YEAR ENDED DECEMBER 31,				
	2003	2004	2005	2006	2007
Long term debt:					
Fixed rate	\$ 12,300	\$ 115,785	\$ 32,720	\$ 143,705	\$ 271,844
Weighted average interest rate	7.51%	7.47%	6.92%	7.38%	7.51%
Variable rate	\$ --	\$ --	\$ 267,000	\$ --	\$ --
Weighted average interest rate	--%	--%	4.25%	--%	--%
	THEREAFTER	TOTAL (1)	F M V		
Long term debt:					
Fixed rate	\$ 663,658	\$ 1,240,012	\$ 1,260,299		
Weighted average interest rate	7.32%	7.37%			
Variable rate	\$ --	\$ 267,000	\$ 267,000		
Weighted average interest rate	--%	4.25%			

(1) Includes aggregate unamortized issuance discounts of approximately \$695 on the senior unsecured notes issued during March 1999 and June 2002, which are due at maturity.

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In addition, the Company has assessed the market risk for its variable rate debt, which is based upon LIBOR, and believes that a one percent increase in the LIBOR rate would have an approximate \$2.7 million annual increase in interest expense based on \$267.0 million of variable rate debt outstanding at December 31, 2002.

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, 2002 (dollars in thousands):

	FOR THE YEAR ENDED DECEMBER 31,					
	2003	2004	2005	2006	2007	THEREAFTER
Mortgage notes and notes receivable:						
Fixed rate	\$ --	\$ 36,500	\$ --	\$ --	\$ --	\$ 16,000
Weighted average interest rate	--%	10.23%	--%	--%	--%	10.23%

(2) Excludes interest receivables aggregating approximately \$1.1 million.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

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

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

None.

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PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

The information contained in the section captioned "Proposal I: Election of Directors" and "Section 16 Beneficial Ownership Reporting Compliance" of the Company's definitive proxy statement for the 2003 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 2003 annual meeting of stockholders is incorporated herein by reference, provided, however, that the report on Executive Compensation set forth therein shall not be incorporated by reference herein, in any of the Company's prior or future filings under the Securities Act of 1933 or the Securities Exchange Act of 1934, except to the extent the Company specifically incorporates such report by reference therein and shall not be otherwise deemed filed under either of such

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Acts.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The information contained in the section captioned "Principal and Management Stockholders" of the Company's definitive proxy statement for the 2003 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 2003 annual meeting of the stockholders is incorporated herein by reference.

ITEM 14. CONTROLS AND PROCEDURES

We maintain disclosure controls and procedures and internal controls designed to ensure that information required to be disclosed in our filings under the Securities Exchange Act of 1934 is reported within the time periods specified in the Securities and Exchange Commission's rules and forms. In this regard, the Company has formed a Disclosure Committee currently comprised of all of the Company's executive officers as well as certain other employees with knowledge of information that may be considered in the SEC reporting process. The Committee has responsibility for the development and assessment of the financial and non-financial information to be included in the reports filed by the Company with the SEC and assists the Company's Co-Chief Executive Officers and Chief Financial Officer in connection with their certifications contained in the Company's SEC reports. The Committee meets regularly and reports to the Audit Committee on a quarterly or more frequent basis. Our principal executive and financial officers have evaluated our disclosure controls and procedures within 90 days prior to the filing of this Annual Report on Form 10-K and have determined that such disclosure controls and procedures are effective.

There have been no significant changes in internal controls or in other factors that could significantly affect these controls subsequent to the date of their evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

ITEM 16. PRINCIPAL ACCOUNTANT FEES AND SERVICES

The information contained in the section captioned "Proposal to: Ratification of Selection of Independent Auditors" of the Company's definitive proxy statement for the 2003 annual meeting of stockholders is incorporated herein by reference.

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PART IV

ITEM 15. 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:

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RECKSON ASSOCIATES REALTY CORP.	
Report of Independent Auditors	IV-8
Consolidated Balance Sheets as of December 31, 2002 and December 31, 2001 ..	IV-9
Consolidated Statements of Operations for the years ended December 31, 2002, 2001 and 2000	IV-10
Consolidated Statements of Stockholders' Equity for the years ended December 31, 2002, 2001 and 2000.	IV-11
Consolidated Statements of Cash Flows for the years ended December 31, 2002, 2001 and 2000.	IV-12
Notes to Consolidated Financial Statements	IV-13
Schedule III -- Real Estate and Accumulated Depreciation	IV-39

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

EXHIBIT NUMBER	FILING REFERENCE	DESCRIPTION

3.1	a	Amended and Restated Articles of Incorporation of the Registrant
3.2	s	Amended and Restated By-Laws of the Registrant
3.3	e	Articles Supplementary of the Registrant Establishing and Fixing the Rights Preferences of a Series of Shares of Preferred Stock filed with the Maryland State Department of Assessments and Taxation on April 9, 1998
3.4	h	Articles Supplementary of the Registrant Establishing and Fixing the Rights Preferences of a Class of Shares of Common Stock filed with the Maryland Sta Department of Assessments and Taxation on May 24, 1999
3.5	g	Articles Supplementary of the Registrant Establishing and Fixing the Rights Preferences of a Series of Shares of Preferred Stock filed with the Maryland Department of Assessments and Taxation on May 28, 1999
3.6	h	Articles of Amendment of the Registrant filed with the Maryland State Department of Assessments and Taxation on January 4, 2000
3.7	h	Articles Supplementary of the Registrant filed with the Maryland State Department of Assessments and Taxation on January 11, 2000
3.8	o	Articles Supplementary of the Registrant Establishing and Fixing the Rights Preferences of a Series of Shares of Preferred Stock filed with the Maryland Department of Assessments and Taxation on November 2, 2000
4.1	b	Specimen Share Certificate of Class A Common Stock
4.2	j	Specimen Share Certificate of Class B Exchangeable Common Stock
4.3	e	Specimen Share Certificate of Series A Preferred Stock
4.4	f	Form of 7.40% Notes due 2004 of Reckson Operating Partnership, L.P. (the "Operating Partnership")
4.5	f	Form of 7.75% Notes due 2009 of the Operating Partnership

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4.6	f	Indenture, dated March 26, 1999, among the Operating Partnership, the Registrant and The Bank of New York, as trustee
4.7	i	Rights Agreement, dated as of October 13, 2000, between the Registrant and American Stock Transfer & Trust Company, as Rights Agent, which includes, as Exhibit A thereto, the Form of Articles Supplementary, as Exhibit B thereto, Form of Right Certificate, and as Exhibit C thereto, the Summary of Rights to Purchase Preferred Shares
4.8	q	Form of 6.00% Notes due 2007 of the Operating Partnership
4.9	d	Note Purchase Agreement for the Senior Unsecured Notes
10.1	a	Amended and Restated Agreement of Limited Partnership of the Operating Partnership
10.2	e	Supplement to the Amended and Restated Agreement of Limited Partnership of the Operating Partnership Establishing Series A Preferred Units of Limited Partnership Interest
10.3	e	Supplement to the Amended and Restated Agreement of Limited Partnership of the Operating Partnership Establishing Series B Preferred Units of Limited Partnership Interest
10.4	e	Supplement to the Amended and Restated Agreement of Limited Partnership of the Operating Partnership Establishing Series C Preferred Units of Limited Partnership Interest
10.5	e	Supplement to the Amended and Restated Agreement of Limited Partnership of the Operating Partnership Establishing Series D Preferred Units of Limited Partnership Interest
10.6	h	Supplement to the Amended and Restated Agreement of Limited Partnership of the Operating Partnership Establishing Series B Common Units of Limited Partnership Interest
10.7	h	Supplement to the Amended and Restated Agreement of Limited Partnership of the Operating Partnership Establishing Series E Preferred Partnership Units of Limited Partnership Interest
10.8	l	Supplement to the Amended and Restated Agreement of Limited Partnership of the Operating Partnership Establishing the Series F Junior Participating Preferred Partnership Units
10.9	d	Third Amended and Restated Agreement of Limited Partnership of Omni Partners, L.P.
10.10	i	Amendment and Restatement of Employment and Noncompetition Agreement, dated as of August 15, 2000, between the Registrant and Donald Rechler
10.11	i	Amendment and Restatement of Employment and Noncompetition Agreement, dated as of August 15, 2000, between the Registrant and Scott Rechler
10.12	i	Amendment and Restatement of Employment and Noncompetition Agreement, dated as of August 15, 2000, between the Registrant and Mitchell Rechler
10.13	i	Amendment and Restatement of Employment and Noncompetition Agreement, dated as of August 15, 2000, between the Registrant and Gregg Rechler
10.14	i	Amendment and Restatement of Employment and Noncompetition Agreement, dated as of August 15, 2000, between the Registrant and Roger Rechler
10.15	i	Amendment and Restatement of Employment and Noncompetition Agreement, dated as of August 15, 2000, between the Registrant and Michael Maturo
10.16	i	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	k	Amended and Restated 1995 Stock Option Plan
10.20	c	1996 Employee Stock Option Plan
10.21	b	Ground Leases for certain of the properties
10.22	a	Indemnity Agreement relating to 100 Oser Avenue
10.23	k	Amended and Restated 1997 Stock Option Plan
10.24	d	1998 Stock Option Plan
10.25	i	Amendment and Restatement of Severance Agreement, dated as of August 15, 2000, between the Registrant and Donald Rechler
10.26	i	Amendment and Restatement of Severance Agreement, dated as of August 15, 2000, between the Registrant and Scott Rechler
10.27	i	Amendment and Restatement of Severance Agreement, dated as of August 15, 2000, between the Registrant and Mitchell Rechler

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10.28	i	Amendment and Restatement of Severance Agreement, dated as of August 15, 2000, between the Registrant and Gregg Rechler
10.29	i	Amendment and Restatement of Severance Agreement, dated as of August 15, 2000, between the Registrant and Roger Rechler
10.30	i	Amendment and Restatement of Severance Agreement, dated as of August 15, 2000, between the Registrant and Michael Maturo
10.31	i	Amendment and Restatement of Severance Agreement, dated as of August 15, 2000, between the Registrant and Jason Barnett
10.32	h	Amended and Restated Credit Agreement dated as of August 4, 1999 between Reckson Service Industries, Inc., as borrower, and the Operating Partnership Lender, relating to Reckson Strategic Venture Partners, LLC ("RSVP Credit Agreement")

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EXHIBIT NUMBER	FILING REFERENCE	DESCRIPTION
10.33	h	Amended and Restated Credit Agreement dated as of August 4, 1999 between Reckson Service Industries, Inc., as borrower, and the Operating Partnership Lender, relating to the operations of Reckson Service Industries, Inc. ("RSVP Credit Agreement")
10.34	h	Letter Agreement, dated November 30, 1999, amending the RSVP Credit Agreement and the RSI Credit Agreement
10.35	m	Second Amendment to the Amended and Restated Credit Agreement, dated March 30, 2001, between the Operating Partnership and FrontLine Capital Group, as Lender
10.36	n	Loan Agreement, dated as of June 1, 2001, between 1350 LLC, as Borrower, and Secore Financial Corporation, as Lender
10.37	n	Loan Agreement, dated as of July 18, 2001, between Metropolitan 919 3rd Avenue LLC, as Borrower, and Secore Financial Corporation, as Lender
10.38	i	Operating Agreement dated as of September 28, 2000 between Reckson Tri-State Member LLC (together with its permitted successors and assigns) and TIAA Tri-State LLC
10.39	l	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
10.40	l	Consolidated, Amended and Restated Secured Promissory Note relating to Metropolitan 810 7th Ave., LLC and 100 Wall Company LLC
10.41	p	Amended and Restated Operating Agreement of 919 JV LLC
10.42	r	2002 Stock Option Plan
10.43	s	Indemnification Agreement, dated as of May 23, 2002, between the Registrant and Donald J. Rechler*
10.44	t	Second Amended and Restated Credit Agreement, dated as of December 30, 2001, among the Operating Partnership, the institutions from time to time party thereto as Lenders and JPMorgan Chase Bank, as Administrative Agent
10.45	t	Form of Guarantee Agreement to the Second Amended and Restated Credit Agreement, between and among the Operating Partnership, the institutions from time to time party thereto as Lenders and JPMorgan Chase Bank, as Administrative Agent
10.46	t	Form of Promissory Note to the Second Amended and Restated Credit Agreement, between and among the Operating Partnership, the institutions from time to time party thereto as Lenders and JPMorgan Chase Bank, as Administrative Agent
10.47	t	First Amendment to Second Amended and Restated Credit Agreement, dated as of

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	of January 24, 2003, among the Operating Partnership, JPMorgan Chase Bank, Administrative Agent for the institutions from time to time party thereto
10.48	Lenders and Key Bank, N.A., as New Lender
	Long-Term Incentive Award Agreement, dated March 13, 2003, between the Registrant and Scott H. Rechler**
10.49	Award Agreement, dated November 14, 2002, between the Registrant and Scott H. Rechler***
10.50	Award Agreement, dated March 13, 2003, between the Registrant and Scott H. Rechler****
12.1	Statement of Ratios of Earnings to Fixed Charges
21.1	Statement of Subsidiaries
23.1	Consent of Independent Auditors
24.1	Power of Attorney (included in Part IV of the Form 10-K)
99.1	Certification of Donald J. Rechler, Co-Chief Executive Officer of the Registrant pursuant to Section 1350 of Chapter 63 of Title 18 of the United States Code
99.2	Certification of Scott H. Rechler, Co-Chief Executive Officer of the Registrant pursuant to Section 1350 of Chapter 63 of Title 18 of the United States Code
99.3	Certification of Michael Maturo, Executive Vice President, Treasurer and Chief Financial Officer of the Registrant, pursuant to Section 1350 of Chapter 63 of Title 18 of the United States Code

- (a) Previously filed as an exhibit to the Registrant's Registration Statement Form S-11 (No. 333-74285) and incorporated herein by reference.
- (b) Previously filed as an exhibit to the Registrant's Registration Statement Form S-11 (No. 333-74285) and incorporated herein by reference.
- (c) Previously filed as an exhibit to the Registrant's Form 8-K report filed with the SEC on March 26, 1996 and incorporated herein by reference.
- (d) Previously filed as an exhibit to the Registrant's Form 10-K filed with the SEC on March 26, 1999 and incorporated herein by reference.
- (e) Previously filed as an exhibit to the Registrant's Form 8-K report filed with the SEC on March 26, 1999 and incorporated herein by reference.
- (f) Previously filed as an exhibit to the Registrant's Form 8-K filed with SEC on March 26, 1999 and incorporated herein by reference.
- (g) Previously filed as an exhibit to the Registrant's Form 8-K filed with SEC on June 7, 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 26, 1999 and incorporated herein by reference.
- (i) Previously filed as an exhibit to the Registrant's Form 8-K filed with the SEC on October 1, 1999 and incorporated herein by reference.
- (j) Previously filed as an exhibit to the Registrant's Form S-4 (No. 333-74285) and incorporated herein by reference.
- (k) Previously filed as an exhibit to the Registrant's Form 10-Q filed with the SEC on November 1, 1999 and incorporated herein by reference.
- (l) Previously filed as an exhibit to the Registrant's Form 10-K filed with the SEC on March 26, 2000 and incorporated herein by reference.
- (m) Previously filed as an exhibit to the Registrant's Form 10-Q filed with the SEC on May 1, 2000 and incorporated herein by reference.
- (n) Previously filed as an exhibit to the Registrant's Form 10-Q filed with the SEC on August 1, 2000 and incorporated herein by reference.
- (o) Included as an exhibit to Exhibit 4.7.
- (p) Previously filed as an exhibit to the Registrant's Form 8-K filed with the SEC on January 1, 2001 and incorporated herein by reference.
- (q) Previously filed as an exhibit to the Registrant's Form 8-K filed with the SEC on June 1, 2001 and incorporated herein by reference.
- (r) Previously filed as an exhibit to the Registrant's Form 10-Q filed with the SEC on August 1, 2001 and incorporated herein by reference.
- (s) Previously filed as an exhibit to the Registrant's Form 10-Q filed with the SEC on November 1, 2001 and incorporated herein by reference.
- (t) Previously filed as an exhibit to the Registrant's Current Report on 8-K filed with the SEC on November 1, 2001 and incorporated herein by reference.

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January 27, 2003 and incorporated herein by reference.

- * Each of Scott H. Rechler, Mitchell D. Rechler, Gregg M. Rechler, Michael Maturo, Roger Rechler, Jason M. Barnett, Herve A. Kevenides, John V.N. Klein, Lewis S. Ranieri and Co Stephenson has entered into an Indemnification Agreement with the Registrant, dated May 1, 2002. Each of Ronald H. Menaker and Peter Quick has entered into an Indemnification Agreement with the Registrant dated May 1, 2002. These Agreements are identical in all material respects to the Indemnification Agreement for Donald J. Rechler filed herewith.
- ** Each of Donald J. Rechler, Mitchell D. Rechler, Gregg M. Rechler, Michael Maturo, Roger Rechler and Jason M. Barnett has entered into a Long-Term Incentive Award Agreement with the Registrant, dated March 13, 2003. These Agreements are identical in all material respects to the Long-Term Incentive Award Agreement for Scott H. Rechler filed herewith.
- *** Each of Donald J. Rechler, Mitchell D. Rechler, Gregg M. Rechler, Michael Maturo and Roger Rechler has been awarded certain rights to shares of Class A common stock of the Registrant pursuant to award agreements dated November 14, 2002. These Agreements are identical in all material respects to the Agreement for Scott H. Rechler filed herewith, except that Donald J. Rechler received rights to 46,983 shares each of Mitchell D. Rechler, Gregg M. Rechler and Michael Maturo received rights to 27,588 shares and Roger M. Rechler received rights to 25,530 shares.
- **** Each of Donald J. Rechler, Mitchell D. Rechler, Gregg M. Rechler, Michael Maturo, Roger Rechler and Jason M. Barnett has been awarded certain rights to shares of Class A common stock of the Registrant pursuant to award agreements dated March 13, 2003. These Agreements are identical in all material respects to the Agreement for Scott H. Rechler filed herewith.

REPORTS ON FORM 8-K:

On November 5, 2002, the Registrant submitted a report on Form 8-K under Item 9 thereof in order to submit supplemental operating and financial data for the quarter ended September 30, 2002.

On November 6, 2002, the Registrant submitted a report on Form 8-K under Item 9 thereof in order to submit its third quarter presentation.

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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 13, 2003.

RECKSON ASSOCIATES REALTY CORP.

By: /s/ Donald J. Rechler

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

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

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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 13, 2003.

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

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CERTIFICATION

I, Donald J. Rechler, certify that:

1. I have reviewed this annual report on Form 10-K of Reckson Associates Realty Corp.;
2. Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report;
3. Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the Registrant as of, and for, the periods presented in this annual report;
4. The Registrant's other certifying officers and I are responsible for

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establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the Registrant and we have:

- a) designed such disclosure controls and procedures to ensure that material information relating to the Registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this annual report is being prepared;
 - b) evaluated the effectiveness of the Registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this annual report (the "Evaluation Date"); and
 - c) presented in this annual report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;
5. The Registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the Registrant's auditors and the audit committee of Registrant's board of directors:
- a) all significant deficiencies in the design or operation of internal controls which could adversely affect the Registrant's ability to record, process, summarize and report financial data and have identified for the Registrant's auditors any material weaknesses in internal controls; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the Registrant's internal controls; and
6. The Registrant's other certifying officers and I have indicated in this annual report whether there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: March 13, 2003

/s/ Donald J. Rechler

Donald J. Rechler
Co-Chief Executive Officer

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CERTIFICATION

I, Scott H. Rechler, certify that:

1. I have reviewed this annual report on Form 10-K of Reckson Associates Realty Corp.;
2. Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report;

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3. Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the Registrant as of, and for, the periods presented in this annual report;
4. The Registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the Registrant and we have:
 - a) designed such disclosure controls and procedures to ensure that material information relating to the Registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this annual report is being prepared;
 - b) evaluated the effectiveness of the Registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this annual report (the "Evaluation Date"); and
 - c) presented in this annual report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;
5. The Registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the Registrant's auditors and the audit committee of Registrant's board of directors:
 - a) all significant deficiencies in the design or operation of internal controls which could adversely affect the Registrant's ability to record, process, summarize and report financial data and have identified for the Registrant's auditors any material weaknesses in internal controls; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the Registrant's internal controls; and
6. The Registrant's other certifying officers and I have indicated in this annual report whether there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: March 13, 2003

/s/ Scott H. Rechler

Scott H. Rechler
Co-Chief Executive Officer

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CERTIFICATION

I, Michael Maturo, certify that:

1. I have reviewed this annual report on Form 10-K of Reckson Associates Realty Corp.;

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2. Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report;
3. Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the Registrant as of, and for, the periods presented in this annual report;
4. The Registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the Registrant and we have:
 - a) designed such disclosure controls and procedures to ensure that material information relating to the Registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this annual report is being prepared;
 - b) evaluated the effectiveness of the Registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this annual report (the "Evaluation Date"); and
 - c) presented in this annual report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;
5. The Registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the Registrant's auditors and the audit committee of Registrant's board of directors:
 - a) all significant deficiencies in the design or operation of internal controls which could adversely affect the Registrant's ability to record, process, summarize and report financial data and have identified for the Registrant's auditors any material weaknesses in internal controls; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the Registrant's internal controls; and
6. The Registrant's other certifying officers and I have indicated in this annual report whether there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: March 13, 2003

/s/ Michael Maturo

Michael Maturo
Executive Vice President, Treasurer
and Chief Financial Officer

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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, 2002 and 2001, and the related consolidated statements of operations, stockholders' equity, and cash flows for each of the three years in the period ended December 31, 2002. We have also audited the financial statement schedule listed in the index at item 15(a). These financial statements and financial statement schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and financial statement schedule based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Reckson Associates Realty Corp. at December 31, 2002 and 2001, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 2002, 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 27, 2003

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

	DECEMBER 31, 2002
	----- 2002 -----
ASSETS	
Commercial real estate properties, at cost: (Notes 2, 3, 5 and 6)	
Land	\$ 418,040
Buildings and improvements	2,415,252

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Developments in progress:	
Land	92,924
Development costs	28,311
Furniture, fixtures and equipment	13,595
	2,968,122
Less accumulated depreciation	(454,018)
	2,514,104
Investments in real estate joint ventures	6,116
Investment in mortgage notes and notes receivable (Note 6)	54,547
Cash and cash equivalents (Note 9)	30,827
Tenant receivables	14,050
Investments in service companies and affiliate loans and joint ventures (Note 8)	73,332
Deferred rents receivable	107,366
Prepaid expenses and other assets	37,235
Contract and land deposits and pre-acquisition costs	240
Deferred leasing and loan costs, less accumulated amortization of \$48,049 and \$41,411, respectively	70,103
	\$ 2,907,920
	=====
LIABILITIES	
Mortgage notes payable (Note 2)	\$ 740,012
Unsecured credit facility (Note 3)	267,000
Senior unsecured notes (Note 4)	499,305
Accrued expenses and other liabilities	93,783
Dividends and distributions payable	31,575
	1,631,675

Minority partners' interests in consolidated partnerships	242,934
Preferred unit interest in the operating partnership	19,662
Limited partners' minority interest in the operating partnership	71,420
	334,016

Commitments and contingencies (Notes 9,10 and 13)	--
STOCKHOLDERS' EQUITY (NOTE 7)	
Preferred Stock, \$.01 par value, 25,000,000 shares authorized	
Series A preferred stock, 8,834,500 and 9,192,000 shares issued and outstanding, respectively	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, 48,246,083 and 49,982,377 shares issued and outstanding, respectively	482
Class B common stock, 9,915,313 and 10,283,513 shares issued and outstanding, respectively	99
Treasury Stock, Class A common, 2,698,400 and 0 shares, respectively and Class B common, 368,200 and 0 shares, respectively	
	(63,954)
Additional paid in capital	1,005,494
	942,229

Total Liabilities and Stockholders' Equity	\$ 2,907,920
	=====

(see accompanying notes to financial statements)

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

	FOR THE EN DECEMBER ----- 2 -----
REVENUES (NOTE 10):	
Property operating revenues:	
Base Rents	\$
Tenant escalations and reimbursements	
Total property operating revenues	
Interest income on mortgage notes and notes receivable (including \$4,287, \$4,196 and \$5,237, respectively from related properties).....	
Investment and other income (including \$85, \$5,164 and \$21,455, respectively from related parties)	
Total revenues	
EXPENSES:	
Property operating expenses	
Marketing, general and administrative	
Interest	
Depreciation and amortization	
Total expenses	
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, valuation reserves, discontinued operations and extraordinary loss	
Minority partners' interests in consolidated partnerships	
Limited partners' minority interest in the operating partnership	
Distributions to preferred unit holders	
Equity in earnings of real estate joint ventures and service companies (including \$465, \$1,450 and \$2,792, respectively from related parties).....	
Gain on sales of real estate (Note 6)	
Valuation reserves on investments in affiliate loans and joint ventures and other investments (Notes 8 and 13)	
Income (loss) before discontinued operations, extraordinary loss and dividends to preferred shareholders loss	
Discontinued operations (net of limited partners' minority interest):	
Income from discontinued operations	
Gain on sales of real estate	
Income (loss) before extraordinary loss and dividends to preferred shareholders	
Extraordinary loss on extinguishment of debts (net of limited partners' minority interest)	
Net Income (loss)	
Dividends to preferred shareholders	
Net income (loss) allocable to common shareholders	\$

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Net income (loss) allocable to:		=====
Class A common shareholders	\$	
Class B common shareholders		
Total	\$	=====
Basic net income (loss) per weighted average common share:		
Class A common	\$	
Gain on sales of real estate		
Discontinued operations		
Extraordinary loss		
Basic net income (loss) per Class A common	\$	=====
Class B common	\$	
Gain on sales of real estate		
Discontinued operations		
Extraordinary loss		
Basic net income (loss) per Class B common	\$	=====
Basic weighted average common shares outstanding:		
Class A common	49,	
Class B common	10,	
Diluted net income (loss) per weighted average common share:		
Class A common	\$	
Class B common	\$	
Diluted weighted average common shares outstanding:		
Class A common	49,	
Class B common	10,	

		2

REVENUES (NOTE 10):		
Property operating revenues:		
Base Rents	\$	4
Tenant escalations and reimbursements		
Total property operating revenues		4
Interest income on mortgage notes and notes receivable (including \$4,287, \$4,196 and \$5,237, respectively from related properties).....		
Investment and other income (including \$85, \$5,164 and \$21,455, respectively from related parties)		
Total revenues		5
EXPENSES:		
Property operating expenses		1
Marketing, general and administrative		
Interest		
Depreciation and amortization		1
Total expenses		3
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, valuation reserves, discontinued operations and extraordinary loss		1

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Minority partners' interests in consolidated partnerships	(
Limited partners' minority interest in the operating partnership	(
Distributions to preferred unit holders	(
Equity in earnings of real estate joint ventures and service companies (including \$465, \$1,450 and \$2,792, respectively from related parties).....	(
Gain on sales of real estate (Note 6)	(
Valuation reserves on investments in affiliate loans and joint ventures and other investments (Notes 8 and 13)	(1

Income (loss) before discontinued operations, extraordinary loss and dividends to preferred shareholders loss	(
Discontinued operations (net of limited partners' minority interest):	
Income from discontinued operations	(
Gain on sales of real estate	(

Income (loss) before extraordinary loss and dividends to preferred shareholders	(
Extraordinary loss on extinguishment of debts (net of limited partners' minority interest)	(

Net Income (loss)	(
Dividends to preferred shareholders	(

Net income (loss) allocable to common shareholders	\$ (
=====	
Net income (loss) allocable to:	
Class A common shareholders	\$ (
Class B common shareholders	(

Total	\$ (
=====	
Basic net income (loss) per weighted average common share:	
Class A common	\$
Gain on sales of real estate	
Discontinued operations	
Extraordinary loss	

Basic net income (loss) per Class A common	\$
=====	
Class B common	\$
Gain on sales of real estate	
Discontinued operations	
Extraordinary loss	

Basic net income (loss) per Class B common	\$
=====	
Basic weighted average common shares outstanding:	
Class A common	48,1
Class B common	10,2
Diluted net income (loss) per weighted average common share:	
Class A common	\$
Class B common	\$
Diluted weighted average common shares outstanding:	
Class A common	48,1
Class B common	10,2

(see accompanying notes to financial statements)

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

	PREFERRED STOCK		COMMON STOCK	
	SERIES A	SERIES B	CLASS A	CLASS B
Stockholders' equity				
January 1, 2000	\$ 92	\$ 60	\$ 404	\$ 103
Conversion of Series B				
Preferred Stock	--	(40)	42	--
Redemption of OP Units	--	--	--	--
Net proceeds from long term				
compensation issuances	--	--	8	--
Net income	--	--	--	--
Dividends and distributions				
paid and payable	--	--	--	--
	----	----	----	----
Stockholders' equity				
December 31, 2000	92	20	454	103
Issuance of OP Units	--	--	--	--
Redemption of OP Units	--	--	6	--
Net proceeds from long term				
compensation issuances	--	--	5	--
Issuance of Class A common				
stock	--	--	35	--
Repurchases of Class A				
common stock	--	--	--	--
Net loss	--	--	--	--
Dividends and distributions				
paid and payable	--	--	--	--
	----	----	----	----
Stockholders' equity				
December 31, 2001	92	20	500	103
Issuance of OP Units	--	--	--	--
Redemption of OP Units	--	--	7	--
Net proceeds from long term				
compensation issuances	--	--	(2)	--
Issuance of Class A common				
stock	--	--	4	--
Repurchases of Class A and				
Class B common stock	--	--	(27)	(4)
Repurchases of Series A				
preferred stock	(4)	--	--	--
Net income	--	--	--	--
Dividends and distributions				
paid and payable	--	--	--	--
	----	----	----	----
Stockholders' equity				
December 31, 2002	\$ 88	\$ 20	\$ 482	\$ 99
	=====	=====	=====	=====

TREASURY STOCK	ADDITIONAL PAID IN CAPITAL	RETAINED EARNINGS	TOTAL STOCKHOLDERS' EQUITY	LIABILITIES AND OTHER
-----	-----	-----	-----	-----

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Stockholders' equity					
January 1, 2000	\$	--	\$ 1,116,297	\$	--
Conversion of Series B					
Preferred Stock		--	(6,765)		--
Redemption of OP Units		--	--		--
Net proceeds from long term					
compensation issuances		--	6,656		--
Net income		--	--		86,030
Dividends and distributions					
paid and payable		--	(4,198)		(86,030)
		-----	-----		-----
Stockholders' equity					
December 31, 2000		--	1,111,990		--
Issuance of OP Units		--	--		--
Redemption of OP Units		--	15,412		--
Net proceeds from long term					
compensation issuances		--	6,423		--
Issuance of Class A common					
stock		--	77,777		--
Repurchases of Class A					
common stock		--	(1,421)		--
Net loss		--	--		(57,867)
Dividends and distributions					
paid and payable		--	(165,039)		57,867
		-----	-----		-----
Stockholders' equity					
December 31, 2001		--	1,045,142		--
Issuance of OP Units		--	5,274		--
Redemption of OP Units		--	7,148		--
Net proceeds from long term					
compensation issuances		--	3,988		--
Issuance of Class A common					
stock		--	7,065		--
Repurchases of Class A and					
Class B common stock	(63,954)	--	--		--
Repurchases of Series A					
preferred stock		--	(7,041)		--
Net income		--	--		54,533
Dividends and distributions					
paid and payable		--	(56,082)		(54,533)
		-----	-----		-----
Stockholders' equity					
December 31, 2002	\$	(63,954)	\$ 1,005,494	\$	--
		=====	=====		=====

(see accompanying notes to financial statements)

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

FOR TH

2002

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CASH FLOWS FROM OPERATING ACTIVITIES:

Net Income (loss)	\$ 76,368
Adjustments to reconcile net income (loss) to net cash provided by operating activities:	
Depreciation and amortization	112,341
Extraordinary loss, net of limited partners' minority interest	2,335
Minority partners' interests in consolidated partnerships	18,730
Limited partners' minority interest in the operating partnership	6,238
Gain on sales of real estate, securities and mortgage repayment	(4,804)
Valuation reserves on investments in affiliate loans and joint ventures and other investments	--
Equity in earnings of real estate joint ventures and service companies	(1,113)
Changes in operating assets and liabilities:	
Deferred rents receivable	(26,277)
Prepaid expenses and other assets	4,870
Tenant and affiliate receivables	(4,417)
Accrued expenses and other liabilities	11,878
Net cash provided by operating activities	196,149

CASH FLOWS FROM INVESTMENT ACTIVITIES:

Purchases of commercial real estate properties	--
Increase in contract and land deposits and pre-acquisition costs	--
Additions to developments in progress	(41,896)
Additions to commercial real estate properties	(48,052)
Payment of deferred leasing costs	(16,414)
Distributions from investments in real estate joint ventures	276
Acquisition of controlling interests in service companies	(122)
Additions to furniture, fixtures and equipment	(2,414)
Investments in affiliate joint ventures	--
Proceeds from redemption of preferred securities	1,528
Proceeds from sales of real estate, securities and mortgage note receivable repayments	22,022
Net cash used in investing activities	(85,072)

CASH FLOWS FROM FINANCING ACTIVITIES:

Proceeds from secured borrowings	--
Principal payments on secured borrowings	(11,065)
Proceeds from issuance of senior unsecured notes, net of issuance costs	49,432
Payment of loan and equity issuance costs	(1,568)
Investments in affiliate loans and service companies	--
Proceeds from unsecured credit facility	158,000
Principal payments on unsecured credit facility	(162,600)
Repurchases of common stock	(66,723)
Repurchase of Series A preferred stock	(7,969)
Proceeds from issuance of common stock and exercise of options, net of issuance costs	6,310
Contributions by minority partners in consolidated partnerships	1,343
Distributions to minority partners in consolidated partnerships	(20,051)
Distributions to limited partners in the operating partnership	(12,540)
Distributions to preferred unit holders	(1,320)
Dividends to common shareholders	(111,525)
Dividends to preferred shareholders	(21,949)
Net cash (used in) provided by financing activities	(202,225)
Net increase (decrease) in cash and cash equivalents	(91,148)
Cash and cash equivalents at beginning of period	121,975
Cash and cash equivalents at end of period	\$ 30,827

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SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:

Cash paid during the period for interest, including interest capitalized \$ 98,083

(see accompanying notes to financial statements)

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RECKSON ASSOCIATES REALTY CORP. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2002

1. DESCRIPTION OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES

DESCRIPTION OF BUSINESS

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

ORGANIZATION AND FORMATION OF THE COMPANY

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

The Company became the sole general partner of Reckson Operating Partnership, L.P. (the "Operating Partnership") by contributing substantially all of the net proceeds of the IPO, in exchange for an approximate 73% interest in the Operating Partnership. All Properties acquired by the Company are held by or through the Operating Partnership. In conjunction with the IPO, the Operating Partnership executed various option and purchase agreements whereby it issued common units of limited partnership interest in the Operating Partnership ("OP Units") to certain continuing investors and assumed certain indebtedness in exchange for (i) interests in certain property partnerships, (ii) fee simple and leasehold interests in properties and development land, (iii) certain other business assets and (iv) 100% of the non-voting preferred stock of the management and construction companies. The Company's ownership percentage in the Operating Partnership was approximately 89.5% and 89.2% at December 31, 2002 and 2001, respectively.

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, 2002 and 2001 and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2002. The Operating Partnership's investments in majority owned and controlled real estate joint ventures are reflected in the accompanying financial statements on a consolidated basis with a reduction for the minority partners' interest. The Operating Partnership also invests in real estate joint ventures where it may

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own less than a controlling interest. Such investments are also reflected in the accompanying financial statements on the equity method of accounting. The operating results of Reckson Management Group, Inc., RANY Management Group, Inc., Reckson Construction Group New York, Inc. and Reckson Construction Group, Inc. (collectively, the "Service Companies"), in which the Operating Partnership owned a 97% non-controlling interest are reflected in the accompanying financial statements on the equity method of accounting through September 30, 2002. On October 1, 2002, the Operating Partnership acquired the remaining 3% interests in the Service Companies for an aggregate purchase price of approximately \$122,000. As a result, the Operating Partnership commenced consolidating the operations of the Service Companies. All significant intercompany balances and transactions have been eliminated in the consolidated financial statements.

Minority partners' interests in consolidated partnerships represent a 49% non-affiliated interest in RT Tri-State LLC, owner of a nine property suburban office portfolio, a 40% non-affiliated interest in Omni Partners, L.P., owner of a 579,000 square foot suburban office property and beginning December 21, 2001, a 49% non-affiliated interest in Metropolitan 919 Third Avenue, LLC, owner of the property located at 919 Third Avenue, New York, NY. Limited partners' minority interest in the Operating Partnership was approximately 10.5% and 10.8% at December 31, 2002 and 2001, respectively.

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

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

USE OF ESTIMATES

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

REAL ESTATE

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

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

LONG LIVED ASSETS

On a periodic basis, management assesses whether there are any indicators that the value of the real estate properties may be impaired. A property's value is impaired only if management's estimate of the aggregate future cash flows (undiscounted and without interest charges) to be generated by the

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property are less than the carrying value of the property. Such cash flows consider factors such as expected future operating income, trends and prospects, as well as the effects of demand, competition and other factors. To the extent impairment has occurred, the loss will be measured as the excess of the carrying amount of the property over the fair value of the property.

The Company is required to make subjective assessments as to whether there are impairments in the value of its real estate properties and other investments. These assessments have a direct impact on the Company's net income, because taking an impairment results in an immediate negative adjustment to net income. In determining impairment, if any, the Company has adopted Financial Accounting Standards Board ("FASB") Statement No. 144, "Accounting for the Impairment or Disposal of Long Lived Assets" (See Recent Accounting Pronouncements).

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 \$5.6 million and \$5.1 million at December 31, 2002 and 2001, respectively have been included in cash and cash equivalents on the accompanying balance sheets.

DEFERRED COSTS

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

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

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

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

INCOME TAXES

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

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subsidiaries are subject to federal, state and local income taxes. (See Note 14 for the Company's reconciliation of GAAP net income to taxable income, its reconciliation of cash distributions to the dividends paid deduction and its characterization of taxable distributions).

REVENUE RECOGNITION

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

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

Gain on sales of real estate are recorded when title is conveyed to the buyer, subject to the buyer's financial commitment being sufficient to provide economic substance to the sale and the Company having no substantial continuing involvement with the buyer.

EARNINGS PER SHARE

In 1997, the Financial Accounting Standards Board ("FASB") issued Statement No. 128, "Earnings per Share" ("Statement No. 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. The conversion of OP Units into Class A common stock would not have a significant effect on per share amounts as the OP Units share proportionately with the Class A common stock in the results of the Operating Partnership's operations.

STOCK OPTIONS

Effective January 1, 2002 the Company has elected to follow FASB Statement No. 123, "Accounting for Stock Based Compensation" ("Statement No. 123"). Statement No. 123 requires the use of option valuation models which determine the fair value of the option on the date of the grant. All future

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

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

employee stock option grants will be expensed over the options' vesting periods based on the fair value at the date of the grant in accordance with Statement No. 123. The Company expects minimal financial impact from the adoption of

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Statement No. 123. To determine the fair value of the stock options granted, the Company uses a Black-Scholes option pricing model. Historically, the Company had applied Accounting Principles Board Opinion No. 25 ("APB No. 25") and related interpretations in accounting for its stock option plans and reported pro forma disclosures in its Form 10-K filings by estimating the fair value of options issued and the related expense in accordance with Statement No. 123 (see Note 7). Accordingly, no compensation cost had been recognized for its stock option plans prior to the Company's adoption of Statement No. 123.

In December 2002, the FASB issued Statement No. 148, "Accounting for Stock-Based Compensation--Transition and Disclosure" ("Statement No. 148"). Statement No. 148 amends Statement No. 123 to provide alternative methods of transition for an entity that voluntarily adopts the fair value recognition method of recording stock option expense. Statement No. 148 also amends the disclosure provisions of Statement 123 and APB Opinion No. 28. "Interim Financial Reporting" to require disclosure in the summary of significant accounting policies of the effects of an entity's accounting policy with respect to stock options on reported net income and earnings per share in annual and interim financial statements.

The following table sets forth the Company's pro forma information for its Class A common stockholders for the years ended December 31 (in thousands except earnings per share data):

	2002	2001	2000
	-----	-----	-----
Net income (loss) as reported	\$ 41,604	\$ (44,243)	\$ 62,989
Add: Stock option expense included in net income (loss)	94	--	--
Less: Stock option expense determined under fair value recognition method for all awards	(495)	(476)	(318)
	-----	-----	-----
Pro forma net income (loss)	\$ 41,203	\$ (44,719)	\$ 62,671
	=====	=====	=====
Net income (loss) per share as reported:			
Basic	\$.84	\$ (.92)	\$ 1.46
	=====	=====	=====
Diluted	\$.83	\$ (.92)	\$ 1.45
	=====	=====	=====
Pro forma net income (loss) per share:			
Basic	\$.83	\$ (.93)	\$ 1.46
	=====	=====	=====
Diluted	\$.82	\$ (.93)	\$ 1.44
	=====	=====	=====

The fair value for those options was estimated at the date of grant using a Black-Scholes option pricing model with the following weighted-average assumptions for 2002, 2001 and 2000, respectively: risk-free interest rate of 3%, 5% and 5%; dividend yields of 7.38%, 7.52% and 7.31%; volatility factors of the expected market price of the Company's Class A common stock of .198 and a weighted-average expected life of the option of five years.

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

DERIVATIVE INVESTMENTS

FASB Statement No. 133, "Accounting for Derivative Instruments and Hedging

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Activities," which became effective January 1, 2001 requires the Company to recognize all derivatives on the balance sheet at fair value. Derivatives that are not hedges must be adjusted to fair value through income. If a

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

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

derivative is a hedge, depending on the nature of the hedge, changes in the fair value of the derivative will either be offset against the change in fair value of the hedged asset, liability, or firm commitment through earnings, or recognized in accumulated other comprehensive income ("OCI") until the hedged item is recognized in earnings. The ineffective portion of a derivative's change in fair value will be immediately recognized in earnings. As of January 1, 2001, the carrying value of the Company's derivatives equaled their fair value and as a result no cumulative effect changes were recorded. Additionally, as of June 30, 2001, the fair value of the Company's derivatives equaled approximately \$3.7 million and was reflected in other assets and OCI on the Company's balance sheet. On July 18, 2001, the mortgage note payable to which these derivatives relate to was funded and their fair value at that time was approximately \$676,000 less than their carrying value. This amount is being amortized to interest expense over the term of the mortgage note to which it relates. Because of the Company's minimal use of derivatives, the adoption of this Statement did not have a significant effect on earnings or the financial position of the Company.

RECENT ACCOUNTING PRONOUNCEMENTS

In October 2001, the FASB issued Statement No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets" ("Statement No. 144"). Statement No. 144 provides accounting guidance for financial accounting and reporting for the impairment or disposal of long-lived assets. Statement No. 144 supersedes FASB Statement No. 121, Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed of. It also supersedes the accounting and reporting provisions of Accounting Principles Board Opinion No. 30, Reporting the Results of Operations--Reporting the Effects of Disposal of a Segment of a Business, and Extraordinary, Unusual and Infrequently Occurring Events and Transactions related to the disposal of a segment of a business. The Company adopted Statement No. 144 on January 1, 2002. The adoption of this statement did not have a material effect on the results of operations or the financial position of the Company. The adoption of Statement No. 144 does not have an impact on net income (loss) allocable to common shareholders. Statement No. 144 only impacts the presentation of the results of operations and gain (loss) on sales of real estate for those properties sold during the period within the consolidated statements of operations.

On January 1, 2002, the Company adopted the provisions of FASB Statement No. 142, "Goodwill and Other Intangible Assets" ("Statement No. 142"). This statement makes significant changes to the accounting for business combinations, goodwill, and intangible assets. Among other provisions, Statement No. 142 requires that a portion of the purchase price of real estate acquisitions be assigned to the fair value of an intangible asset for above market operating leases or to an intangible liability for below market operating leases. Such intangible assets or liabilities are then required to be amortized into revenue over the remaining life of the respective leases. The adoption of this statement did not have an effect on the Company's results of

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operations or financial condition for the year ended December 31, 2002.

In April 2002, the FASB issued Statement No. 145, ("Statement No. 145"), which rescinded Statement No. 4, "Reporting Gains and Losses from Extinguishment of Debt". Statement No. 145 is effective for fiscal years beginning after May 15, 2002. The Company will adopt Statement No. 145 on January 1, 2003 which will result in a change to reported net income (loss).

In November 2002, the FASB issued Interpretation No. 45, "Guarantor's Accounting and Disclosure Requirements for Guarantees", Including Indirect Guarantees of Indebtedness of Others ("FIN 45"). FIN 45 significantly changes the current practice in the accounting for, and disclosure of, guarantees. Guarantees and indemnification agreements meeting the characteristics described in FIN 45 are required to be initially recorded as a liability at fair value. FIN 45 also requires a guarantor to make significant new disclosures for virtually all guarantees even if the likelihood of the guarantor having to make payment

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

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

under the guarantee is remote. The disclosure requirements within FIN 45 are effective for financial statements for annual or interim periods ending after December 15, 2002. The initial recognition and initial measurement provisions are applicable on a prospective basis to guarantees issued or modified after December 31, 2002. The Company is currently evaluating the effects of FIN 45 on the Company's results of operations or financial condition.

In January 2003, the FASB issued Interpretation No. 46, "Consolidation of Variable Interest Entities" ("FIN 46"), which explains how to identify variable interest entities ("VIE") and how to assess whether to consolidate such entities. The provisions of this interpretation are immediately effective for VIE's formed after January 31, 2003. For VIE's formed prior to January 31, 2003, the provisions of this interpretation apply to the first fiscal year or interim period beginning after June 15, 2003. Management has not yet determined whether any of its consolidated or unconsolidated subsidiaries represent VIE's pursuant to such interpretation. Such determination could result in a change in the Company's consolidation policy related to such entities.

RECLASSIFICATIONS

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

2. MORTGAGE NOTES PAYABLE

At December 31, 2002, there were 16 fixed rate mortgage notes payable with an aggregate outstanding principal amount of approximately \$740.0 million. These mortgage notes are secured by properties with an aggregate carrying value at December 31, 2002 of approximately \$1.5 billion and which are pledged as collateral against the mortgage notes payable. In addition, approximately \$45.1 million of the \$740.0 million is recourse to the Company. The mortgage notes bear interest at rates ranging from 6.45% to 10.10%, and mature between 2004 and 2027. The weighted average interest rates on the outstanding mortgage notes payable at December 31, 2002, 2001 and 2000 were approximately 7.3%, 7.3% and

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7.8%, respectively. Certain of the mortgage notes payable are guaranteed by certain limited partners in the Operating Partnership and / or the Company.

The following table sets forth the Company's mortgage notes payable at December 31, 2002, by scheduled maturity date (dollars in thousands):

PROPERTY	PRINCIPAL OUTSTANDING	INTEREST RATE	MATUR DAT
80 Orville Drive, Islip, NY	\$ 2,616	10.10%	Februar
395 North Service Road, Melville, NY	19,709	6.45%	Octobe
200 Summit Lake Drive, Valhalla, NY	19,373	9.25%	Januar
1350 Avenue of the Americas, NY, NY	74,631	6.52%	Jun
Landmark Square, Stamford, CT (a)	45,090	8.02%	Octobe
100 Summit Lake Drive, Valhalla, NY	19,101	8.50%	Apri
333 Earle Ovington Blvd., Mitchel Field, NY (b)	53,864	7.72%	August
810 Seventh Avenue, NY, NY	82,854	7.73%	August
100 Wall Street, NY, NY	35,904	7.73%	August
6900 Jericho Turnpike, Syosset, NY	7,348	8.07%	Jul
6800 Jericho Turnpike, Syosset, NY	13,922	8.07%	Jul
580 White Plains Road, Tarrytown, NY	12,685	7.86%	Septembe
919 Third Avenue, NY, NY (c)	246,651	6.867%	August
110 Bi-County Blvd., Farmingdale, NY	3,635	9.125%	Novembe
One Orlando Center, Orlando, FL (d)	38,366	6.82%	Novembe
120 West 45th Street, NY, NY (d)	64,263	6.82%	Novembe
Total / Weighted average	\$ 740,012	7.26%	

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

2. MORTGAGE NOTES PAYABLE - (CONTINUED)

- (a) Encompasses six Class A office properties.
- (b) The Company has a 60% general partnership interest in this property and its proportionate share of the aggregate principal amount is approximately \$32.3 million.
- (c) The Company has a 51% membership interest in this property and its proportionate share of the aggregate principal amount is approximately \$125.8 million.
- (d) Subject to interest rate adjustment on November 1, 2004 to the greater of 8.82% per annum or the yield on noncallable U.S. Treasury obligations with a term of fifteen years plus 2% per annum.

In addition, the Company has a 60% interest in an unconsolidated joint venture property. The Company's pro rata share of the mortgage debt at December 31, 2002 is approximately \$7.5 million. This mortgage note payable bears interest at 8.85% per annum and matures on September 1, 2005.

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Scheduled principal repayments to be made during the next five years and thereafter, for mortgage notes payable outstanding at December 31, 2002, are as follows (in thousands):

	SCHEDULED PRINCIPAL -----	DUE AT MATURITY -----	TOTAL -----
2003	\$ 12,300	\$ --	\$ 12,300
2004	13,169	2,616	15,785
2005	14,167	18,553	32,720
2006	13,785	129,920	143,705
2007	11,305	60,539	71,844
Thereafter	117,389	346,269	463,658
	-----	-----	-----
	\$ 182,115	\$ 557,897	\$ 740,012
	=====	=====	=====

3. UNSECURED CREDIT FACILITY

The Company currently has a three year \$500 million unsecured revolving credit facility (the "Credit Facility") from JPMorgan Chase Bank, as administrative agent, Wells Fargo Bank, National Association as syndication agent and Citicorp North America, Inc. and Wachovia Bank, National Association as co-documentation agents. The Credit Facility matures in December 2005, contains options for a one year extension subject to a fee of 25 basis points and, upon receiving additional lender commitments, increasing the maximum revolving credit amount to \$750 million. In addition, borrowings under the Credit Facility are currently priced off LIBOR plus 90 basis points and the Credit Facility carries a facility fee of 20 basis points per annum. In the event of a change in the Operating Partnership's unsecured credit rating the interests rates and facility fee are subject to change. The outstanding borrowings under the Credit Facility were \$267.0 million at December 31, 2002.

The Credit Facility replaced the Company's \$575 million unsecured credit facility (the "Prior Facility" and together with the Credit Facility, the "Credit Facility"). As a result, certain deferred loan costs incurred in connection with the Prior Facility were written off and are reflected as an extraordinary loss in the accompanying consolidated statements of operations.

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, 2002, the Company had availability under the Credit Facility to borrow approximately an additional \$203.0 million subject to compliance with certain financial covenants.

The Company capitalized interest incurred on borrowings to fund certain development projects in the amount of \$8.3 million, \$10.2 million and \$11.5 million for the years ended December 31, 2002, 2001 and 2000, respectively.

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

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4. SENIOR UNSECURED NOTES

As of December 31, 2002, the Operating Partnership had outstanding approximately \$499.3 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 by scheduled maturity date (dollars in thousands):

ISSUANCE	FACE AMOUNT	COUPON RATE	TERM	MATURITY
March 26, 1999	\$100,000	7.40%	5 years	March 15, 2004
June 17, 2002	\$ 50,000	6.00%	5 years	June 15, 2007
August 27, 1997	\$150,000	7.20%	10 years	August 28, 2007
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 and June 17, 2002 were issued at aggregate discounts of \$738,000 and \$267,500, respectively. Such discounts are being amortized over the term of the Senior Unsecured Notes to which they relate.

On June 17, 2002, the Operating Partnership issued \$50 million of 6.00% (6.125% effective rate) Senior Unsecured Notes. Net proceeds of approximately \$49.4 million received from this issuance were used to repay outstanding borrowings under the Prior Facility.

5. LAND LEASES, AIR RIGHTS AND OPERATING LEASES

The Company leases, pursuant to noncancellable operating leases, the land on which twelve of its buildings were constructed. The leases, which contain renewal options, expire between 2009 and 2084. The leases either contain provisions for scheduled increases in the minimum rent at specified intervals or for adjustments to rent based upon the fair market value of the underlying land or other indexes at specified intervals. Minimum ground rent is recognized on a straight-line basis over the terms of the leases. The excess of amounts recognized over amounts contractually due is approximately \$3.3 million and \$3.0 million at December 31, 2002 and 2001, respectively. These amounts are included in accrued expenses and other liabilities on the accompanying balance sheets.

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

Reckson Management Group, Inc. is subject to operating leases for certain of its management offices and warehouse storage space. These operating leases expire between 2003 and 2009. (see Note 8).

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

YEAR ENDED DECEMBER 31,	LAND LEASES	AIR RIGHTS	OPERATING LEASES
----------------------------	----------------	---------------	---------------------

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2003	\$ 2,707	\$ 369	\$ 1,368
2004	2,811	379	1,313
2005	2,814	379	1,359
2006	2,795	379	1,407
2007	2,735	379	1,455
Thereafter	43,276	4,280	683
	-----	-----	-----
	\$ 57,138	\$ 6,165	\$ 7,585
	=====	=====	=====

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

6. COMMERCIAL REAL ESTATE INVESTMENTS

As of December 31, 2002, the Company owned and operated 75 office properties (inclusive of eleven office properties owned through joint ventures) comprising approximately 13.6 million square feet, 101 industrial properties comprising approximately 6.7 million square feet and two retail properties comprising approximately 20,000 square feet located in the Tri-State Area.

The Company also owns approximately 338 acres of land in 14 separate parcels of which the Company can develop approximately 3.2 million square feet of office space and approximately 470,000 square feet of industrial / R&D space. Included in these development parcels is 52.7 acres of land located in Valhalla, NY which the Company acquired in April 2002 for approximately \$23.8 million and which it can develop approximately 875,000 square feet of office space. The Company currently owns and operates three buildings encompassing approximately 700,000 square feet in the same office park in which this land parcel is located. This acquisition was financed in part from the sales proceeds of an office property being held by a qualified intermediary for the purposes of an exchange of real property pursuant to Section 1031 of the Code and from an advance under the Credit Facility. The Company is currently evaluating alternative land uses for certain of the land holdings to realize the highest economic value. These alternatives may include rezoning certain land parcels from commercial to residential for potential disposition. As of December 31, 2002, the Company had invested approximately \$121.2 million in these development projects. Management has made subjective assessments as to the value and recoverability of these investments based on current and proposed development plans, market comparable land values and alternative use values. The Company has capitalized approximately \$10.5 million for the year ended December 31, 2002 related to real estate taxes, interest and other carrying costs related to these development projects.

During February 2003, the Company, through Reckson Construction Group, Inc., entered into a contract with an affiliate of First Data Corp. to sell a 19.3-acre parcel of land located in Melville, N.Y. and has been retained by the purchaser to develop a build-to-suit 195,000 square foot office building for aggregate consideration of approximately \$47 million. This transaction is scheduled to close during the first quarter of 2003 and construction of the aforementioned office building is scheduled to commence shortly thereafter.

The Company holds a \$17.0 million note receivable which bears interest at 11.5% per annum and is secured by a minority partnership interest in Omni

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Partners, L.P., owner of the Omni, a 579,000 square foot Class A office property located in Uniondale, N.Y. (the "Omni Note"). The Company currently owns a 60% majority partnership interest in Omni Partners, L.P. and on March 14, 2007 may exercise an option to acquire the remaining 40% interest for a price based on 90% of the fair market value of the property. The Company also holds three other notes receivable aggregating \$36.5 million which bear interest at rates ranging from 10.5% to 12% per annum and are secured in part by a minority partner's preferred unit interest in the Operating Partnership, certain interest in real property and a personal guaranty (the "Other Notes" and collectively with the Omni Note, the "Note Receivable Investments"). As of December 31, 2002, management has made subjective assessments as to the underlying security value on the Company's Note Receivable Investments. Based on these assessments the Company's management believes there is no impairment to the carrying value related to the Company's Note Receivable Investments. The Company also owns a 355,000 square foot office building in Orlando, Florida. This non-core real estate holding was acquired in May 1999 in connection with the Company's initial New York City portfolio acquisition. This property is cross collateralized under a \$103 million mortgage note payable along with one of the Company's New York City buildings.

The Company also owns a 60% non-controlling interest in a 172,000 square foot office building located at 520 White Plains Road in White Plains, New York (the "520JV") which it manages. The remaining 40% interest is owned by JAH Realities L.P. Jon Halpern, the CEO and a director of HQ Global Workplaces, is a partner in JAH Realities, L.P. As of December 31, 2002, the 520JV had total

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

6. COMMERCIAL REAL ESTATE INVESTMENTS - (CONTINUED)

assets of \$21.0 million, a mortgage note payable of \$12.5 million and other liabilities of \$197,000. The Company's allocable share of the 520JV mortgage note payable is approximately \$7.5 million. This mortgage note payable bears interest at 8.85% per annum and matures on September 1, 2005. In addition, the 520JV had total revenues of \$4.2 million and \$4.0 million and total expenses of \$3.3 million and \$3.3 million for the years ended December 31, 2002 and 2001, respectively. The operating agreement of the 520JV requires joint decisions from all members on all significant operating and capital decisions including sale of the property, refinancing of the property's mortgage debt, development and approval of leasing strategy and leasing of rentable space. As a result of the decision-making participation relative to the operations of the property, the Company accounts for the 520JV under the equity method of accounting. The 520JV contributed approximately \$648,000 and \$478,000 to the Company's equity in earnings of real estate joint ventures for the year ended December 31, 2002 and 2001, respectively.

On August 7, 2002, the Company sold an industrial property on Long Island aggregating approximately 32,000 square feet for approximately \$1.8 million. This property was sold to the sole tenant of the property through an option contained in the tenant's lease. On August 8, 2002, the Company sold two Class A office properties located in Westchester County, NY aggregating approximately 157,000 square feet for approximately \$18.5 million. Net proceeds from these sales were used to repay borrowings under the Credit Facility and for general corporate purposes. The Company recorded an aggregate net gain of approximately \$4.9 million as a result of these sales. In addition, in accordance with Statement No. 144, the operating results of these properties and the resulting

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gain on sales of real estate have been reflected as discontinued operations for all periods presented on the accompanying statements of operations.

During September 2000, the Company formed a joint venture (the "Tri-State JV") with Teachers Insurance and Annuity Association ("TIAA") and contributed nine Class A suburban office properties aggregating approximately 1.5 million square feet to the Tri-State JV for a 51% majority ownership interest. TIAA contributed approximately \$136 million for a 49% interest in the Tri-State JV which was then distributed to the Company. As a result, the Company realized a gain of approximately \$15.2 million. The Company is responsible for managing the day-to-day operations and business affairs of the Tri-State JV and has substantial rights in making decisions affecting the properties such as leasing, marketing and financing. The minority member has certain rights primarily intended to protect its investment. For purposes of its financial statements the Company consolidates the Tri-State JV.

On December 21, 2001, the Company formed a joint venture with the New York State Teachers' Retirement System ("NYSTRS") (the "919JV") whereby NYSTRS acquired a 49% indirect interest in the property located at 919 Third Avenue, New York, NY for \$220.5 million which included \$122.1 million of its proportionate share of secured mortgage debt and approximately \$98.4 million of cash which was then distributed to the Company. As a result, the Company realized a gain of approximately \$18.9 million. The Company is responsible for managing the day-to-day operations and business affairs of the 919JV and has substantial rights in making decisions affecting the property such as developing a budget, leasing and marketing. The minority member has certain rights primarily intended to protect its investment. For purposes of its financial statements the Company consolidates the 919JV.

7. STOCKHOLDERS' EQUITY

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

On December 31, 2002, the Company had issued and outstanding 9,915,313 shares of Class B Exchangeable Common Stock, par value \$.01 per share (the "Class B common stock"). The dividend on

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

7. STOCKHOLDERS' EQUITY - (CONTINUED)

the shares of Class B common stock is subject to adjustment annually based on a formula which measures increases or decreases in the Company's Funds From Operations, as defined, over a base year. The Class B common stock currently receives an annual dividend of \$2.5884 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.

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The Board of Directors of the Company has authorized the purchase of up to five million shares of the Company's Class A common stock and / or its Class B common stock. It is anticipated that transactions conducted on the New York Stock Exchange will be effected in accordance with the safe harbor provisions of the Securities Exchange Act of 1934 and may be terminated by the Company at any time.

As of December 31, 2002, under this buy-back program, the Company purchased 368,200 shares of Class B common stock at an average price of \$22.90 per Class B share and 2,698,400 shares of Class A common stock at an average price of \$21.60 per Class A share for an aggregate purchase price for both the Class A and Class B common stock of approximately \$66.7 million. As a result of these purchases, annual common stock dividends will decrease by approximately \$5.5 million. Previously, under the Company's prior stock buy-back program, the Company purchased and retired 1,410,804 shares of Class B common stock at an average price of \$21.48 per Class B share and 61,704 shares of Class A common stock at an average price of \$23.03 per Class A share for an aggregate purchase price for both the Class A and Class B common stock of approximately \$31.7 million.

The Board of Directors of the Company has formed a pricing committee to consider purchases of up to \$75 million of the Company's outstanding preferred securities.

On December 31, 2002, the Company had issued and outstanding 8,834,500 shares of 7.625% Series A Convertible Cumulative Preferred Stock (the "Series A preferred stock"). The Series A preferred stock is redeemable by the Company on or after April 13, 2003 at a price of approximately \$25.95 per share with such price decreasing, at annual intervals, to \$25.00 per share over a five year period. In addition, the Series A preferred stock, at the option of the holder, is convertible at anytime into the Company's Class A common stock at a price of \$28.51 per share. On October 14, 2002, the Company purchased and retired 357,500 shares of the Series A Preferred stock at \$22.29 per share for approximately \$8.0 million. As a result of this purchase, annual preferred dividends will decrease by approximately \$682,000.

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

During the year ended December 31, 2002, approximately 11,303 preferred units of limited partnership interest in the Operating Partnership, with a liquidation preference value of approximately \$11.3 million, were exchanged for 451,934 OP Units at an average price of \$24.66 per OP Unit. In addition, 666,468 OP Units were exchanged for an equal number of shares of the Company's Class A common stock.

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7. STOCKHOLDERS' EQUITY - (CONTINUED)

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

In October 2000, the Company instituted a Shareholder Rights Plan (the "Rights Plan") designed to protect shareholders from various abusive takeover tactics, including attempts to acquire control of the Company at an inadequate price. Under the Rights Plan, each shareholder receives one Right to acquire one one-thousandth of a share of a series of junior participating preferred stock at an initial purchase price of \$84.44 for each share of the Company's outstanding Class A common stock owned. The Rights will be exercisable only if a person or group acquires, or announces an intention to acquire, 15% or more of the Company's Class A common stock, or announces a tender offer which would result in beneficial ownership by a person or group of 15% or more of the Class A common stock. If any person acquires 15% or more of the outstanding shares of Class A common stock or if the Company is acquired in a merger after such an acquisition, all Rights holders except the acquiring person will be entitled to purchase the Company's Class A common stock at a discounted price. The Rights will expire at the close of business on October 13, 2010, unless earlier redeemed by the Company.

During July 1998, the Company formed Metropolitan Partners, LLC ("Metropolitan") for the purpose of acquiring Class A office properties in New York City. In May 2001, a minority partner that owned an \$85 million preferred equity investment in Metropolitan converted its preferred equity investment into 3,453,881 shares of the Company's Class A common stock based on a conversion price of \$24.61 per share. As a result of the minority partner's conversion of their preferred equity investment, the Company owns 100% of Metropolitan.

The Company has historically structured long term incentive programs ("LTIP") using restricted stock and stock loans. In July 2002, as a result of certain provisions of the Sarbanes Oxley legislation, the Company has discontinued the use of stock loans in its LTIP. In connection with LTIP grants made prior to the enactment of the Sarbanes Oxley legislation the Company made stock loans to certain executive and senior officers to purchase 1,372,393 shares of its Class A common stock at market prices ranging from \$18.44 per share to \$27.13 per share. The stock loans were set to bear interest at the mid-term Applicable Federal Rate and were secured by the shares purchased. Such stock loans (including accrued interest) vest and are ratably forgiven each year on the anniversary of the grant date based upon vesting periods ranging from four to ten years based on continued service and in part on attaining certain annual performance measures. These stock loans had an initial aggregate weighted average vesting period of approximately nine years. Approximately \$4.5 million and \$3.7 million of compensation expense was recorded for the years ended December 31, 2002 and 2001, respectively, related to these LTIP. Such amount has been included in marketing, general and administrative expenses on the accompanying consolidated statements of operations.

During 2002, approximately \$3.9 million of stock loans made in prior years in connection with the aforementioned LTIP matured. These stock loans were secured by 155,418 shares of Class A common stock which were issued at prices ranging from \$22.50 per share to \$27.13 per share. As a result of the Company discontinuing the use of stock loans as part of its LTIP the stock loans were satisfied with restricted stock held by the Company which secured the stock loans. The aggregate market value of these shares on the maturity dates of the

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stock loans was approximately \$3.4 million. The aggregate difference between the market value of these shares and the carrying value of the stock loans was recorded as a loss on the accompanying consolidated statements of operations. The 155,418 shares of Class A common stock were subsequently retired by the Company.

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

7. STOCKHOLDERS' EQUITY - (CONTINUED)

The outstanding stock loan balances due from executive and senior officers aggregated approximately \$17.0 million and \$24.3 million at December 31, 2002 and 2001, respectively, and have been included as a reduction of additional paid in capital on the accompanying consolidated statements of stockholders' equity. Other outstanding loans to executive and senior officers amounting to approximately \$1.0 million at December 31, 2002 and 2001, related to life insurance contracts and approximately \$1.0 million and \$.9 million at December 31, 2002 and 2001, respectively, primarily related to tax payment advances on a stock compensation award made to a non-executive officer.

In November 2002, the Company granted rights to 190,524 shares of its Class A common stock to certain executive officers. These shares vest ratably over a four year period and will be issued in ratable installments on each anniversary date of the grant as compensation to the executive officer.

The Company has established a new LTIP for its executive and senior officers. The four year plan has a core component which provides for annual stock based compensation based upon continued service and in part based on attaining certain annual performance measures. The plan has a special long term component which provides for compensation to be earned at the end of a four year period if the Company attains certain four year cumulative performance measures. Amounts earned under the special long term component may be paid in cash or stock at the discretion of the Compensation Committee of the Board. Performance measures are based on total shareholder returns on a relative and absolute basis.

The following table sets forth the Company's reconciliation of numerators and denominators of the basic and diluted earnings per weighted average common share and the computation of basic and diluted net income (loss) per weighted average share for the Company's Class A common stock as required by Statement No. 128 for the years ended December 31 (in thousands except for earnings per share data):

	2002 -----	2001 -----
Numerator:		
Income (loss) before dividends to preferred shareholders, discontinued operations, extraordinary loss and income allocated to Class B shareholders	\$ 73,941	\$ (34,425)
Dividends to preferred shareholders	(21,835)	(21,866)
Discontinued operations (net of share applicable to limited partners and Class B common shareholders)	3,641	770
Extraordinary loss (net of share applicable to limited		

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partners and Class B common shareholders)	(1,779)	(1,971)
(Income) loss allocated to Class B common shareholders	(12,364)	13,249
	-----	-----
Numerator for basic and diluted net income (loss) per share	\$ 41,604	\$ (44,243)
	=====	=====
Denominator:		
Denominator for basic net income (loss) per share-weighted average Class A common shares	49,669	48,121
Effect of dilutive securities:		
Common stock equivalents	299	--
	-----	-----
Denominator for diluted net income (loss) per Class A common share-adjusted weighted average shares and assumed conversions	49,968	48,121
	=====	=====

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

7. STOCKHOLDERS' EQUITY - (CONTINUED)

	2002	2001	2000
	-----	-----	-----
Basic net income (loss) per Class A common share:			
Basic net income (loss)	\$.79	\$ (1.19)	\$.79
Gain on sales of real estate .....	.01	.29	.01
Discontinued operations .....	.07	.02	.07
Extraordinary loss	(.03)	(.04)	(.03)
	-----	-----	-----
Basic net income (loss) per Class A common share	\$.84	\$ (.92)	\$.84
	=====	=====	=====
Diluted net income (loss) per Class A common share:			
Diluted net income (loss)	\$.79	\$ (1.19)	\$.79
Gain on sales of real estate .....	.01	.29	.01
Discontinued operations .....	.07	.02	.07
Extraordinary loss	(.04)	(.04)	(.04)
	-----	-----	-----
Diluted net income (loss) per Class A common share	\$.83	\$ (.92)	\$.83
	=====	=====	=====

The following table sets forth the Company's reconciliation of numerators and denominators of the basic and diluted earnings per weighted average common share and the computation of basic and diluted net income (loss) per weighted average share for the Company's Class B common stock as required by Statement No. 128 for the years ended December 31 (in thousands except for earnings per share data):

2002 2001

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Numerator:

Income (loss) before dividends to preferred shareholders, discontinued operations, extraordinary loss and income allocated to Class A common shareholders	\$ 73,941	\$ (3
Dividends to preferred shareholders	(21,835)	(2
Discontinued operations (net of share applicable to limited partners and Class A common shareholders)	1,121	
Extraordinary loss (net of share applicable to limited partners and Class A common shareholders)	(556)	
(Income) loss allocated to Class A common shareholders	(39,742)	4
	-----	-----
Numerator for basic net income (loss) per share	12,929	(1
Add back:		
Net income allocated to Class A common shareholders	41,604	
Limited partners' minority interest in the operating partnership	6,238	
	-----	-----
Numerator for diluted net income (loss) per share	\$ 60,771	\$ (1
	=====	=====

Denominator:

Denominator for basic net income (loss) per share-weighted average Class B common shares	10,122	1
Effect of dilutive securities:		
Weighted average Class A common shares outstanding	49,669	
Weighted average OP Units outstanding	7,389	
Common stock equivalents	299	
	-----	-----
Denominator for diluted net income (loss) per Class B common share-adjusted weighted average shares and assumed conversions	67,479	1
	=====	=====

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

7. STOCKHOLDERS' EQUITY - (CONTINUED)

	2002	2001	2000
	-----	-----	-----
Basic net income (loss) per Class B common share:			
Basic net income (loss)	\$ 1.21	\$ (1.70)	\$ 1.82
Gain on sales of real estate .....	.01	.42	.43
Discontinued operations .....	.11	.02	.03
Extraordinary loss	(.05)	(.06)	(.04)
Basic net income (loss) per Class B common share	\$ 1.28	\$ (1.32)	\$ 2.24
	=====	=====	=====
Diluted net income (loss) per Class B common share:			
Diluted net income (loss)	\$.92	\$ (1.70)	\$ 1.54
Gain on sales of real estate	--	.42	.07
Discontinued operations .....	.02	.02	.01
Extraordinary loss	(.04)	(.06)	(.03)
	-----	-----	-----
Diluted net income (loss) per Class B common share	\$.90	\$ (1.32)	\$ 1.59
	=====	=====	=====

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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.

Employee Stock Option Plans and Related Disclosures

The Company has five outstanding stock option plans (the "Plans") for the purpose of attracting and retaining executive officers, directors and other key employees.

The following table sets forth the authorized shares of Class A common stock which have been reserved for issuance under the Plans, the options granted under the Plans and their corresponding exercise price range per share as of December 31, 2002:

	CLASS A COMMON SHARES RESERVED	OPTIONS GRANTED		EXERCISE PRICE RANGE	
	-----	(1)	(2)	----- FROM (1)	----- TO (1)
Amended and Restated 1995 Stock Option Plan	1,500,000	1,545,038		\$ 12.04	\$ 25.56
1996 Employee Stock Option Plan	400,000	269,600		\$ 19.67	\$ 26.13
Amended and Restated 1997 Stock Option Plan	3,000,000	2,525,965		\$ 22.67	\$ 27.04
1998 Stock Option Plan	3,000,000	2,280,501		\$ 17.75	\$ 25.67
2002 Stock Option Plan	1,500,000	--		--	--
	-----	-----			
Total	9,400,000	6,621,104			
	=====	=====			

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

(2) Inclusive of options subsequently forfeited by grantees and exclusive of share grants.

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 116,000 shares of Class A common stock pursuant to the Amended and Restated 1995 Stock Option Plan at exercise prices ranging from \$12.04 to \$25.56 per share and options to purchase 43,000 shares of Class A common stock pursuant to the Amended and Restated 1997 Stock Option Plan at exercise prices ranging from \$24.70 to \$25.23 per share. The options granted to the independent directors were exercisable on the date of the grant.

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7. STOCKHOLDERS' EQUITY - (CONTINUED)

Two former independent directors of the Company were previously granted options to purchase 62,500 shares of Class A common stock pursuant to the Amended and Restated 1995 Stock Option Plan. During 2002, these former independent directors exercised 26,000 options resulting in proceeds to the Company of approximately \$422,000.

During 2002 and 2001, employees exercised 389,283 and 182,596 options, respectively resulting in proceeds to the Company of approximately \$5.9 million and \$2.8 million, respectively.

Prior to 2002, the Company applied APB No. 25 and related interpretation in accounting for its Plans and reported only pro forma information regarding net income and earnings per share determined as if the Company had accounted for its Plans under the fair value method as required by Statement No. 123 in the footnotes to its financial statements.

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 Plans 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.

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

	OPTIONS	WEIGHTED-AVERAGE EXERCISE PRICE
	-----	-----
Outstanding - January 1, 2000	5,173,921	\$ 22.17
Granted	737,750	\$ 22.86
Exercised	(280,087)	\$ 13.00
Forfeited	(145,000)	\$ 22.50

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

Outstanding - December 31, 2001	5,363,355	\$ 23.16
Granted	47,500	\$ 24.87
Exercised	(415,283)	\$ 15.20
Forfeited	(82,002)	\$ 23.95

Outstanding - December 31, 2002	4,913,570	\$ 24.17
	=====	

The following table sets forth the weighted average fair value of options granted for the years ended December 31, and the weighted average per share exercise price and vested options exercisable at December 31:

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	2002 -----	2001 -----	2000 -----
Weighted average fair value of options granted	\$ 1.43	\$ 1.94	\$ 2.15
Weighted average per share exercise price	\$ 22.85	\$ 22.70	\$ 22.17
Vested options exercisable	4,575,181	4,498,828	5,137,588

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

Exercise prices for options outstanding, under all Plans, as of December 31, 2002 ranged from \$12.04 per share to \$27.04 per share. The weighted-average remaining contractual life of those options is approximately 5.81 years.

8. RELATED PARTY TRANSACTIONS

In connection with the IPO, the Company was granted ten year options to acquire ten properties (the "Option Properties") which are either owned by certain Rechler family members who are also executive officers of the Company, or in which the Rechler family members own a non-controlling minority interest at a price based upon an agreed upon formula. In years prior to 2001, one Option Property was sold by the Rechler family members to a third party and four of the Option 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. Currently, certain Rechler family members retain their equity interests in the five remaining Option Properties (the "Remaining Option Properties") which were not contributed to the Company as part of the IPO. Such options provide the Company the right to acquire fee interest in two of the Remaining Option Properties and the Rechler's minority interests in three Remaining Option Properties. The Independent Directors are currently reviewing whether the Company should exercise one or more of the options relating to the Remaining Option Properties.

The Company conducts its management, leasing and construction related services through taxable REIT subsidiaries as defined by the Code. These services are currently provided by the Service Companies in which, as of September 30, 2002, the Operating Partnership owned a 97% non-controlling interest. An entity which is substantially owned by certain Rechler family members who are also executive officers of the Company owned a 3% controlling interest in the Service Companies. In order to minimize the potential for corporate conflicts of interests which became possible as a result of changes to the Code that permit REITs to own 100% of taxable REIT subsidiaries, the Independent Directors of the Company approved the purchase by the Operating Partnership of the remaining 3% interest in the Service Companies. On October 1, 2002, the Operating Partnership acquired such 3% interests in the Service Companies for an aggregate purchase price of approximately \$122,000. Such amount was less than the total amount of capital contributed to the Service Companies by the Rechler family members. As a result of the acquisition of the remaining interests in the Service Companies, the Operating Partnership commenced consolidating the operations of the Service Companies. During 2002, Reckson Construction Group, Inc. billed approximately \$144,000 of market rate services and Reckson Management Group, Inc. billed approximately \$313,000 of

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market rate management fees to the Remaining Option Properties. In addition, for the year ended December 31, 2002, Reckson Construction Group, Inc. performed market rate services, aggregating approximately \$322,000 for a property in which certain executive officers maintain an equity interest.

Reckson Management Group, Inc. leases 43,713 square feet of office and storage space at a Remaining Option Property for its corporate offices located in Melville, New York at an annual base rent of approximately \$1.2 million. Reckson Management Group, Inc. also leases 10,722 square feet of warehouse space used for equipment, materials and inventory storage at a Remaining Option Property located in Deer Park, New York at an annual base rent of approximately \$75,000.

A company affiliated with an Independent Director of the Company leases 15,566 square feet in a property owned by the Company at an annual base rent of approximately \$431,500. Reckson Strategic Venture Partners, LLC ("RSVP") leases 5,144 square feet in one of the Company's joint venture properties at an annual base rent of approximately \$176,000.

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

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

8. RELATED PARTY TRANSACTIONS - (CONTINUED)

FrontLine, the Operating Partnership established an unsecured credit facility with FrontLine (the "FrontLine Facility") in the amount of \$100 million for FrontLine to use in its investment activities, operations and other general corporate purposes. The Company advanced approximately \$93.4 million under the FrontLine Facility. The Operating Partnership also approved the funding of investments of up to \$100 million relating to RSVP (the "RSVP Commitment"), through RSVP-controlled joint ventures (for REIT-qualified investments) or advances made to FrontLine under an unsecured loan facility (the "RSVP Facility") having terms similar to the FrontLine Facility (advances made under the RSVP Facility and the FrontLine Facility hereafter, the "FrontLine Loans"). During March 2001, the Company increased the RSVP Commitment to \$110 million and as of December 31, 2002, approximately \$109.1 million had been funded through the RSVP Commitment, of which \$59.8 million represents investments by the Company in RSVP-controlled (REIT-qualified) joint ventures and \$49.3 million represents loans made to FrontLine under the RSVP Facility. As of December 31, 2002, interest accrued (net of reserves) under the FrontLine Facility and the RSVP Facility was approximately \$19.6 million. RSVP retained the services of two managing directors to manage RSVP's day to day operations. Prior to the spin off of Frontline, the Company guaranteed certain salary provisions of their employment agreements with RSVP Holdings, LLC, RSVP's common member. The term of these employment agreements is seven years commencing March 5, 1998, provided however, that the term may be earlier terminated after five years upon certain circumstances. The salary for each managing director is \$1 million in the first five years and \$1.6 million in years six and seven.

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

At December 31, 2001, the Company, pursuant to Section 166 of the Code, charged off for tax purposes \$70 million of the aforementioned reserve directly related to the FrontLine Facility, including accrued interest. On February 14, 2002, the Company charged off for tax purposes an additional \$38 million of the reserve directly related to the FrontLine Facility, including accrued interest, and \$47 million of the reserve directly related to the RSVP Facility, including accrued interest.

FrontLine is in default under the FrontLine Loans from the Operating Partnership and on June 12, 2002, filed a voluntary petition for relief under Chapter 11 of the U.S. Bankruptcy Code.

As a result of the foregoing, the net carrying value of the Company's investments in the FrontLine Loans and joint venture investments with RSVP, inclusive of the Company's share of previously accrued GAAP equity in earnings on those investments, is approximately \$65 million which was reassessed with no change by management as of December 31, 2002. Such amount has been reflected in investments in service companies and affiliate loans and joint ventures on the Company's consolidated balance sheet. The common and preferred members of RSVP are currently in dispute over certain provisions of the RSVP operating agreement. The members are currently negotiating to restructure the RSVP operating agreement to settle the dispute. There can be no assurances that the members will successfully negotiate a settlement.

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

8. RELATED PARTY TRANSACTIONS - (CONTINUED)

Both the FrontLine Facility and the RSVP Facility terminate on June 15, 2003, are unsecured and advances thereunder are recourse obligations of FrontLine. Notwithstanding the valuation reserve, under the terms of the credit facilities, interest accrued on the FrontLine Loans at a rate equal to the greater of (a) the prime rate plus two percent and (b) 12% per annum, with the rate on amounts that were outstanding for more than one year increasing annually at a rate of four percent of the prior year's rate. In March 2001, the credit facilities were amended to provide that (i) interest is payable only at maturity and (ii) the Company may transfer all or any portion of its rights or

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obligations under the credit facilities to its affiliates. The Company requested these changes as a result of changes in REIT tax laws. As a result of FrontLine's default under the FrontLine Loans, interest on borrowings thereunder accrue at default rates ranging between 13% and 14.5% per annum.

Scott H. Rechler, who serves as Co-Chief Executive Officer and a director of the Company, serves as CEO and Chairman of the Board of Directors of FrontLine.

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, 2002 as required by FASB Statement No. 107.

Cash equivalents, accounts receivable, accounts payable and accrued expenses 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. At December 31, 2002, the estimated aggregate fair value of the Company's notes and mortgage notes receivable exceeded their carrying value by approximately \$1.2 million and the aggregate fair value of the Company's long term debt exceeded its carrying value by approximately \$20.3 million.

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

10. RENTAL INCOME

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

Expected future minimum rents to be received over the next five years and thereafter from leases in effect at December 31, 2002 are as follows (in thousands):

2003	\$	409,143
2004		395,029
2005		355,969
2006		309,136
2007		267,376
Thereafter		1,291,328

	\$	3,027,981
=====		

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

10. RENTAL INCOME - (CONTINUED)

Minimum rental income is recognized on a straight-line basis over the term of the lease. The excess of rents recognized over amounts contractually due are included in deferred rents receivable on the accompanying balances sheets. Contractually due but unpaid rents are included in tenant receivables on the accompanying balance sheets. During the year ended December 31, 2002, the Company incurred approximately \$6.3 million of bad debt expense related to tenant receivables and deferred rents receivable which accordingly reduced total operating revenues on the accompanying statements of operations.

11. SEGMENT DISCLOSURE

The Company owns all of the interests in its real estate properties directly or indirectly 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 / R&D properties located and operated within the Tri-State Area (the "Core Portfolio"). The Company's portfolio also includes one office property located in Orlando, Florida. The Company has Managing Directors who report directly to the Co-Presidents and Chief Financial Officer who have been identified as the Chief Operating Decision Makers due to their final authority over resource allocation, decisions and performance assessment.

The Company does not consider (i) interest incurred on its Credit Facility and Senior Unsecured Notes, (ii) the operating performance of the office property located in Orlando, Florida, (iii) the operating performance of those properties reflected as discontinued operations on the Company's consolidated statements of operations and (iv) the operating results of the Service Companies as part of its Core Portfolio's property operating performance for purposes of its component disclosure set forth below.

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 FASB Statement No. 131 "Disclosures About Segments of an Enterprise and Related Information", for the years ended December 31 (in thousands):

	CORE PORTFOLIO
Revenues:	
Base rents, tenant escalations and reimbursements	\$ 489,818
Other income	1,070
<hr style="border-top: 1px dashed black;"/>	
Total Revenues	490,888
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Expenses:	
Property expenses	170,723
Marketing, general and administrative	18,686
Interest	51,907

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Depreciation and amortization	104,064

Total Expenses	345,380

Income (loss) before minority interests, preferred dividends and distributions, valuation reserves, equity in earnings of real estate joint ventures and service companies, gain on sales of real estate, discontinued operations and extraordinary loss	\$ 145,508
=====	
Total assets	\$2,685,817
=====	

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

10. RENTAL INCOME - (CONTINUED)

	Core Portfolio

Revenues:	
Base rents, tenant escalations and reimbursements	\$ 484,953
Other income	4,314

Total Revenues	489,267

Expenses:	
Property expenses	164,357
Marketing, general and administrative	20,466
Interest	51,376
Depreciation and amortization	94,480

Total Expenses	330,679

Income (loss) before minority interests, preferred dividends and distributions, valuation reserves, equity in earnings of real estate joint ventures and service companies, gain on sales of real estate, discontinued operations and extraordinary loss	\$ 158,588
=====	
Total assets	\$2,763,771
=====	

2000

	Core Portfolio

Revenues:	
Base rents, tenant escalations and reimbursements	\$ 438,738
Other income	1,212

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Total Revenues	439,950

Expenses:	
Property expenses	153,577
Marketing, general and administrative	20,414
Interest	40,463
Depreciation and amortization	83,663

Total Expenses	298,117

Income (loss) 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	\$ 141,833
=====	
Total assets	\$2,604,494
=====	

	-----	Other	-----
Revenues:			
Base rents, tenant escalations and reimbursements	\$	9,751	
Other income		33,597	

Total Revenues		43,348	

Expenses:			
Property expenses		2,526	
Marketing, general and administrative		6,765	
Interest		55,872	
Depreciation and amortization		8,146	

Total Expenses		73,309	

Income (loss) 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	\$	(29,961)	
=====			
Total assets	\$	393,536	
=====			

12. NON-CASH INVESTING AND FINANCING ACTIVITIES

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

During the year ended December 31, 2002, approximately 11,303 preferred units of limited partnership interest in the Operating Partnership, with a liquidation preference value of approximately \$11.3 million, were exchanged for 451,934 OP Units at an average price of \$24.66 per OP Unit. In addition, 666,468 OP Units were exchanged for an equal number of shares of the Company's Class A common stock.

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

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Class A common stock.

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

13. COMMITMENTS AND CONTINGENCIES

The Company has entered into amended and restated employment and noncompetition agreements with its chairman and six executive officers. The agreements are for five years and expire on August 15, 2005.

The Company had outstanding undrawn letters of credit against its Credit Facility of approximately \$1.0 million and \$37.4 million at December 31, 2002 and 2001, respectively.

The Company sponsors a defined contribution savings plan pursuant to Section 401(k) of the Code. Under such plan, there are no prior service costs. Employees are generally eligible to participate in the plan after six months of service. Employer contributions are based on a discretionary amount determined by the Company's management. As of December 31, 2002, the Company has not made any contributions to the plan.

HQ Global Workplaces, Inc. ("HQ"), one of the largest providers of flexible officing solutions in the world and which is controlled by FrontLine, currently operates nine (formerly eleven) executive office centers in the Company's properties, three of which are held through joint ventures. The leases under which these office centers operate expire between 2008 and 2011, encompass approximately 202,000 square feet and have current contractual annual base rents of approximately \$6.1 million. On March 13, 2002, as a result of experiencing financial difficulties, HQ voluntarily filed a petition for relief under Chapter 11 of the U.S. Bankruptcy Code. Subsequent to HQ filing for bankruptcy protection it defaulted under their leases with the Company. Further, effective March 13, 2002, the Bankruptcy Court granted HQ's petition to reject two of its leases with the Company. The two rejected leases aggregated approximately 23,900 square feet and provided for contractual base rents of approximately \$548,000 for the 2002 calendar year. Commencing April 1, 2002 and pursuant to the bankruptcy filing, HQ has been paying current rental charges under its leases with the Company, other than under the two rejected leases. The Company is in negotiation to restructure four of the leases and leave the terms of the remaining five leases unchanged. All negotiations with HQ are conducted through a committee designated by the Board and chaired by an independent director. There can be no assurance as to whether any deal will be consummated with HQ or if HQ will affirm or reject any or all of its remaining leases with the Company. As a result of the foregoing, the Company has reserved approximately \$550,000 (net of minority partners' interests and including the Company's share of unconsolidated joint venture interest), or 74%, of the amounts due from HQ as of December 31, 2002. Scott H. Rechler serves as the non-Executive Chairman of the Board and Jon Halpern is the Chief Executive Officer and a director of HQ.

WorldCom/MCI and its affiliates ("WorldCom"), a telecommunications company, which leased, as of December 31, 2002, approximately 527,000 square feet in thirteen of the Company's properties located throughout the Tri-State Area voluntarily filed a petition for relief under Chapter 11 of the U.S. Bankruptcy Code on July 21, 2002. The total annualized base rental revenue from these leases amounted to approximately \$12.0 million, or 2.9% of the Company's total 2002 annualized rental revenue, making it the Company's second largest

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tenant based on base rental revenue earned on a consolidated basis. All of WorldCom's leases were current on base rental charges through December 31, 2002 and the Company currently holds approximately \$300,000 in security deposits relating to these leases. In February 2003, the Bankruptcy Court granted WorldCom's petition to reject three of its leases with the Company. The three rejected leases aggregated approximately 192,000 square feet and provided for contractual base rents of approximately \$4.8 million for the 2002 calendar year. The Company is currently in negotiations to restructure the remaining WorldCom leases. There can be no assurance as to whether WorldCom will affirm or reject any or all of its remaining leases with the Company. As a result of the foregoing, the Company has written off approximately \$1.1 million of deferred rent receivable. In addition, the Company reserved an additional \$475,000 against the deferred rents receivable representing approximately 46% of the outstanding deferred rents receivable attributable to the remaining WorldCom leases.

MetroMedia Fiber Network Services, Inc. ("MetroMedia"), which leased approximately 112,000 square feet in one property from the Company, voluntarily filed a petition for relief under Chapter 11 of the U.S. Bankruptcy Code in May 2002. MetroMedia's lease with the Company provided for contractual base rent of

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

13. COMMITMENTS AND CONTINGENCIES - (CONTINUED)

approximately \$25 per square foot amounting to \$2.8 million per calendar year and expired in May 2010. In July 2002, the Bankruptcy Court granted MetroMedia's petition to restructure and reduce space under its existing lease. As a result, the lease was amended to reduce MetroMedia's space by 80,357 square feet to 31,718 square feet. Annual base rent on the 31,718 square feet MetroMedia will continue to lease is \$25 per square foot amounting to approximately \$793,000 per annum. Further, pursuant to the Bankruptcy Court order MetroMedia is required to pay to the Company a surrender fee of approximately \$1.8 million. As a result of the foregoing the Company wrote-off approximately \$388,000 of deferred rent receivable relating to this lease and recognized the aforementioned surrender fee.

Arthur Andersen, LLP ("AA") leased approximately 38,000 square feet in one of the Company's New York City buildings. AA's lease with the Company provided for base rent of approximately \$2 million on an annualized basis and expired in April 2004. AA has experienced significant financial difficulties with its business and as a result has entered into a lease termination agreement with the Company effective November 30, 2002. In October 2002, AA paid the Company for all base rental and other charges through November 30, 2002 and a lease termination fee of approximately \$144,000. As a result of the foregoing, the Company has written off approximately \$130,000 of deferred rent receivable attributable to AA's lease.

14. INCOME TAXES

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

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	2002 (ESTIMATED)	2001	2000
GAAP net income (loss)	\$ 76,368	\$ (36,001)	\$ 111,
Minority interests and distributions to preferred unit holders	26,256	12,208	23,
Extraordinary loss on extinguishment of debts (net of limited partners' minority interest)	2,335	2,595	1,
Add: GAAP depreciation and amortization	112,341	102,108	91,
Less: Tax depreciation and amortization	(61,380)	(73,330)	(57,
GAAP/tax difference on gains / losses from capital transactions	5,024	(5,828)	(8,
Straight-line rental income adjustment	(26,567)	(41,489)	(38,
GAAP / tax difference on reserve charge-off	(85,000)	97,056	
Other GAAP / tax differences, net	(18,418)	8,463	7,
<hr/>			
Taxable income before minority interests	30,959	65,782	130,
Minority interests	(20,810)	(20,451)	(31,
<hr/>			
Taxable income to REIT	\$ 10,149	\$ 45,331	\$ 99,

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

14. INCOME TAXES - (CONTINUED)

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

	2002 (ESTIMATED)	2001	2000
Total cash distributions	\$ 134,976	\$ 124,942	\$ 114,074
Less: Cash distributions on restricted shares	(1,476)	(1,560)	(1,059)
Return of capital	(123,450)	(74,691)	--
<hr/>			
Cash dividends paid	10,050	48,691	113,015
Less: dividends designated to prior year	--	--	(8,688)
Add: dividends designated from following year	--	--	--
<hr/>			
Dividends paid deduction	\$ 10,050	\$ 48,691	\$ 104,327

The following tables set forth the characterization of the Company's taxable distributions per share on its Class A common and Class B common stock for the years ended December 31:

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CLASS A COMMON STOCK	2002 (ESTIMATED)		2001	
Ordinary income	\$ --	--	\$.349	21.5%
Return of capital	1.698	100.0%	1.192	73.5%
Long-term rate capital gains	--	--	.019	1.2%
Unrecaptured Section 1250 gain	--	--	.061	3.8%
Totals	1.698	100.0%	\$ 1.621	100.0%

CLASS B COMMON STOCK	2002 (ESTIMATED)		2001	
Ordinary income	\$ --	--	\$.537	21.5%
Return of capital	2.593	100.0%	1.838	73.5%
Long-term rate capital gains	--	--	.029	1.2%
Unrecaptured Section 1250 gain	--	--	.094	3.8%
Totals	\$ 2.593	100.0%	\$ 2.498	100.0%

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

15. QUARTERLY FINANCIAL DATA (UNAUDITED)

The following summary represents the Company's results of operations for each fiscal quarter during 2002 and 2001 (in thousands, except share amounts):

	2002		2001	
	FIRST QUARTER	SECOND QUARTER	FIRST QUARTER	SECOND QUARTER
Total revenues from continuing operations	\$ 123,794	\$ 124,778		
Income before preferred dividends and distributions, minority interests, equity in earnings of real estate joint ventures and service companies, gain on sales of real estate, discontinued operations and extraordinary loss	\$ 27,878	\$ 25,737		
Preferred dividends and distributions	(5,948)	(5,767)		
Minority interests	(7,024)	(6,456)		
Equity in earnings of real estate joint ventures and service companies	335	159		
Gain on sales of real estate	537	--		
Discontinued operations (net of limited partners' minority interest)	204	132		
Extraordinary loss (net of limited partners' minority interest)				

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interest)		--	--
Net income allocable to common shareholders	\$	15,982	\$ 13,805
Net income allocable to:			
Class A common shareholders	\$	12,159	\$ 10,548
Class B common shareholders		3,823	3,257
Total	\$	15,982	\$ 13,805
Basic net income per weighted average common share:			
Class A common .....	\$	.23	\$.21
Gain on sales of real estate .....		.01	--
Discontinued operations		--	--
Extraordinary loss		--	--
Basic net income per weighted average Class A common share .....	\$	.24	\$.21
Class B common .....	\$	.36	\$.32
Gain on sales of real estate .....		.01	--
Discontinued operations		--	--
Extraordinary loss		--	--
Basic net income per weighted average Class B common share .....	\$	.37	\$.32
Basic weighted average common shares outstanding:			
Class A common		50,013,140	50,775,300
Class B common		10,283,513	10,283,513
Diluted net income per weighted average common share:			
Class A common .....	\$	.24	\$.21
Class B common .....	\$	.26	\$.22
Diluted weighted average common shares outstanding:			
Class A common		50,350,189	51,164,788
Class B common		10,283,513	10,283,513

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

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

	2001
	----- First Quarter -----
Total revenues from continuing operations	\$ 129,559
Income before preferred dividends and distributions, minority interests, valuation reserves, equity in earnings of real estate joint ventures and service companies, gain on sales of real estate, discontinued operations and	

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extraordinary loss	\$	34,523
Preferred dividends and distributions		(6,085)
Minority interests		(8,423)
Valuation reserves on investments in affiliate loans and joint ventures and other investments		--
Equity in earnings of real estate joint ventures and service companies		398
Gain on sales of real estate		--
Discontinued operations (net of limited partners' minority interest)		275
Extraordinary loss (net of limited partners' minority interest)		--
<hr/>		
Net income (loss) allocable to common shareholders	\$	20,688
<hr/>		
Net income (loss) allocable to:		
Class A common shareholders	\$	15,308
Class B common shareholders		5,380
<hr/>		
Total	\$	20,688
<hr/>		
Basic net income (loss) per weighted average common share:		
Class A common .....	\$	.34
Gain on sales of real estate		--
Discontinued operations		--
Extraordinary loss		--
<hr/>		
Basic net income (loss) per weighted average Class A common share .....	\$	.34
<hr/>		
Class B common .....	\$	.52
Gain on sales of real estate		--
Discontinued operations		--
Extraordinary loss		--
<hr/>		
Basic net income (loss) per weighted average Class B common share .....	\$	.52
<hr/>		
Basic weighted average common shares outstanding:		
Class A common		45,483,544
Class B common		10,283,513
Diluted net income (loss) per weighted average common share:		
Class A common .....	\$	.33
Class B common .....	\$	.37
Diluted weighted average common shares outstanding:		
Class A common		45,949,816
Class B common		10,283,513
<hr/>		

	2001	
	----- Second Quarter	----- Third Quarter
	-----	-----
Total revenues from continuing operations	\$ 130,754	\$ 130,695
<hr/>		
Income before preferred dividends and distributions, minority interests, valuation reserves, equity in earnings of real estate joint ventures and service companies, gain		

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on sales of real estate, discontinued operations and extraordinary loss	\$	31,304	\$	29,395
Preferred dividends and distributions		(5,928)		(5,996)
Minority interests		(6,644)		11,619
Valuation reserves on investments in affiliate loans and joint ventures and other investments		--		(163,000)
Equity in earnings of real estate joint ventures and service companies		801		505
Gain on sales of real estate		--		972
Discontinued operations (net of limited partners' minority interest)		226		180
Extraordinary loss (net of limited partners' minority interest)		--		(2,595)
Net income (loss) allocable to common shareholders	\$	19,759	\$	(128,920)
Net income (loss) allocable to:				
Class A common shareholders	\$	15,109	\$	(97,944)
Class B common shareholders		4,650		(30,976)
Total	\$	19,759	\$	(128,920)
Basic net income (loss) per weighted average common share:				
Class A common .....	\$	.32	\$	(1.94)
Gain on sales of real estate		--		.01
Discontinued operations		--		--
Extraordinary loss		--		(.04)
Basic net income (loss) per weighted average Class A common share .....	\$	.32	\$	(1.97)
Class B common .....	\$	.45	\$	(2.97)
Gain on sales of real estate		--		.02
Discontinued operations		--		--
Extraordinary loss		--		(.06)
Basic net income (loss) per weighted average Class B common share .....	\$	.45	\$	(3.01)
Basic weighted average common shares outstanding:				
Class A common		47,221,917		49,715,423
Class B common		10,283,513		10,283,513
Diluted net income (loss) per weighted average common share:				
Class A common .....	\$	.32	\$	(1.97)
Class B common .....	\$	.34	\$	(3.01)
Diluted weighted average common shares outstanding:				
Class A common		47,600,390		49,715,423
Class B common		10,283,513		10,283,513

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RECKSON ASSOCIATES REALTY CORP.
SCHEDULE III-REAL ESTATE AND ACCUMULATED DEPRECIATION
DECEMBER 31, 2002
(IN THOUSANDS)

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COLUMN A -----	COLUMN B -----	COLUMN C ----- INITIAL COST	
DESCRIPTION -----	ENCUMBRANCE -----	LAND -----	BUILDINGS IMPROVEM -----
Vanderbilt Industrial Park, Hauppauge, New York (27 buildings in an industrial park)	--	\$ 1,940	\$ 9,95
85 Nikon Court Hauppauge, New York	--	797	2,81
104 Parkway Drive So., Hauppauge, New York	--	54	80
125 Ricefield Lane Hauppauge, New York	--	13	85
120 Ricefield Lane Hauppauge, New York	--	16	1,05
135 Ricefield Lane Hauppauge, New York	--	24	90
1997 Portfolio Acquisition, Hauppauge, New York (10 additional buildings in Vanderbilt Industrial Park)	--	930 (B)	20,61
425 Rabro Drive Hauppauge, New York	--	665	3,48
600 Old Willets Path Hauppauge, New York	--	295	3,52
Airport International Plaza, Islip, New York (17 buildings in an industrial park)	2,616 (C)	1,263	13,60
120 Wilbur Place Islip, New York	--	202	1,15
2004 Orville Drive North Islip, New York	--	633	4,22
2005 Orville Drive North Islip, New York	--	984	5,41
County Line Industrial Center, Melville, New York (3 buildings in an industrial park)	--	628	3,68
30 Hub Drive Melville, New York	--	469	1,57
32 Windsor Place, Islip, New York	--	32	32
42 Windsor Place Islip, New York	--	48	32
505 Walt Whitman Rd., Huntington, New York	--	140	4
1170 Northern Blvd., N. Great Neck, New York	--	30	9
50 Charles Lindbergh Blvd., Mitchel Field, New York	--	(A)	12,08
200 Broadhollow Road Melville, New York	--	338	3,35
48 South Service Road Melville, New York	--	1,652	10,24
395 North Service Road Melville, New York	19,709	(A)	15,55
6800 Jericho Turnpike Syosset, New York	13,922	582	6,56
6900 Jericho Turnpike Syosset, New York	7,348	385	4,22

COLUMN A -----	COLUMN D ----- COST CAPITALIZED, SUBSEQUENT TO ACQUISITION		COLUMN E ----- GROSS AMOUNT A CARRIED AT CLOSE	
DESCRIPTION -----	LAND -----	BUILDINGS AND IMPROVEMENTS -----	LAND -----	BUILDINGS IMPROVEME -----
Vanderbilt Industrial Park, Hauppauge, New York (27 buildings in an industrial park)	173	14,258	2,113	24,213
85 Nikon Court Hauppauge, New York	--	243	797	3,061
104 Parkway Drive So., Hauppauge, New York	--	236	54	1,040
125 Ricefield Lane Hauppauge, New York	--	332	13	1,184
120 Ricefield Lane Hauppauge, New York	--	422	16	1,473
135 Ricefield Lane Hauppauge, New York	--	473	24	1,379
1997 Portfolio Acquisition, Hauppauge, New York				

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(10 additional buildings in Vanderbilt Industrial Park)	--	4,011	930	24,630
425 Rabro Drive Hauppauge, New York	--	398	665	3,887
600 Old Willets Path Hauppauge, New York	--	727	295	4,248
Airport International Plaza, Islip, New York				
(17 buildings in an industrial park)	--	11,814	1,263	25,422
120 Wilbur Place Islip, New York	8	247	210	1,401
2004 Orville Drive North Islip, New York	--	1,431	633	5,657
2005 Orville Drive North Islip, New York	--	1,176	984	6,586
County Line Industrial Center, Melville, New York				
(3 buildings in an industrial park)	--	2,848	628	6,534
30 Hub Drive Melville, New York	--	324	469	1,895
32 Windsor Place, Islip, New York	--	46	32	367
42 Windsor Place Islip, New York	--	700	48	1,027
505 Walt Whitman Rd., Huntington, New York	--	59	140	101
1170 Northern Blvd., N. Great Neck, New York	--	187	30	286
50 Charles Lindbergh Blvd., Mitchel Field, New York	--	5,973	0	18,062
200 Broadhollow Road Melville, New York	--	3,562	338	6,916
48 South Service Road Melville, New York	--	5,611	1,652	15,856
395 North Service Road Melville, New York	--	7,575	0	23,126
6800 Jericho Turnpike Syosset, New York	--	10,092	582	16,658
6900 Jericho Turnpike Syosset, New York	--	3,931	385	8,159

COLUMN A ----- DESCRIPTION -----	COLUMN G ----- DATE OF CONSTRUCTION -----	COLUMN H ----- DATE ACQUIRED -----	COLUMN I ----- LIFE ON WHICH DEPRECIATION IS COMPUTED -----
Vanderbilt Industrial Park, Hauppauge, New York			
(27 buildings in an industrial park)	1961-1979	1961-1979	10 - 30 Years
85 Nicon Court Hauppauge, New York	1984	1995	10 - 30 Years
104 Parkway Drive So., Hauppauge, New York	1985	1996	10 - 30 Years
125 Ricefield Lane Hauppauge, New York	1973	1996	10 - 30 Years
120 Ricefield Lane Hauppauge, New York	1983	1996	10 - 30 Years
135 Ricefield Lane Hauppauge, New York	1981	1996	10 - 30 Years
1997 Portfolio Acquisition, Hauppauge, New York			
(10 additional buildings in Vanderbilt Industrial Park)	1974-1982	1997	10 - 30 Years
425 Rabro Drive Hauppauge, New York	1980	1997	10 - 30 Years
600 Old Willets Path Hauppauge, New York	1999	1999	10 - 30 Years
Airport International Plaza, Islip, New York			
(17 buildings in an industrial park)	1970-1988	1970-1988	10 - 30 Years
120 Wilbur Place Islip, New York	1972	1998	10 - 30 Years
2004 Orville Drive North Islip, New York	1998	1996	10 - 30 Years
2005 Orville Drive North Islip, New York	1999	1996	10 - 30 Years
County Line Industrial Center, Melville, New York			
(3 buildings in an industrial park)	1975-1979	1975-1979	10 - 30 Years
30 Hub Drive Melville, New York	1976	1996	10 - 30 Years
32 Windsor Place, Islip, New York	1971	1971	10 - 30 Years
42 Windsor Place Islip, New York	1972	1972	10 - 30 Years
505 Walt Whitman Rd., Huntington, New York	1950	1968	10 - 30 Years
1170 Northern Blvd., N. Great Neck, New York	1947	1962	10 - 30 Years
50 Charles Lindbergh Blvd., Mitchel Field, New York	1984	1984	10 - 30 Years
200 Broadhollow Road Melville, New York	1981	1981	10 - 30 Years
48 South Service Road Melville, New York	1986	1986	10 - 30 Years
395 North Service Road Melville, New York	1988	1988	10 - 30 Years
6800 Jericho Turnpike Syosset, New York	1977	1978	10 - 30 Years

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6900 Jericho Turnpike Syosset, New York 1982 1982 10 - 30 Years

Continued

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RECKSON ASSOCIATES REALTY CORP.
 SCHEDULE III-REAL ESTATE AND ACCUMULATED DEPRECIATION
 DECEMBER 31, 2002
 (IN THOUSANDS)

COLUMN A ----- DESCRIPTION -----	COLUMN B ----- ENCUMBRANCE -----	COLUMN C ----- INITIAL COST ----- LAND -----	BUILDINGS AND IMPROVEMENTS -----
300 Motor Parkway Hauppauge, New York	--	276	1,136
88 Duryea Road Melville, New York	--	200	1,565
210 Blydenburgh Road Islandia, New York	--	11	158
208 Blydenburgh Road Islandia, New York	--	12	192
71 Hoffman Lane Islandia, New York	--	19	260
933 Motor Parkway Hauppauge, New York	--	106	375
85 South Service Road Plainview, New York	--	24	145
333 Earl Ovington Blvd., (Omni) Mitchel Field, New York	53,864	(A)	67,221
135 Fell Court Islip, New York	--	462	1,265
40 Cragwood Road South Plainfield, New Jersey	--	725	7,131
110 Marcus Drive Huntington, New York	--	390	1,499
333 East Shore Road Great Neck, New York	--	(A)	564
310 East Shore Road Great Neck, New York	--	485	2,009
70 Schmitt Blvd. Farmingdale, New York	--	727	3,408
19 Nicholas Drive Yaphank, New York	--	160	7,399
1516 Motor Parkway Hauppauge, New York	--	603	6,722
35 Pinelawn Road Melville, New York	--	999	7,073
520 Broadhollow Road Melville, New York	--	457	5,572
1660 Walt Whitman Road Melville, New York	--	370	5,072
70 Maxess Road Melville, New York	--	367	1,859
20 Melville Park Rd., Melville, New York	--	391	2,650
105 Price Parkway Farmingdale, New York	--	2,030	6,327
48 Harbor Park Drive Port Washington, New York	--	1,304	2,247
60 Charles Lindbergh Mitchel Field, New York	--	(A)	20,800
505 White Plains Road Tarrytown, New York	--	210	1,332
555 White Plains Road Tarrytown, New York	--	712	4,133
560 White Plains Road Tarrytown, New York	--	1,521	8,756
580 White Plains Road Tarrytown, New York	12,685	2,414	14,595
660 White Plains Road Tarrytown, New York	--	3,929	22,640
Landmark Square Stamford, Connecticut	45,090	11,603	64,466

COLUMN A -----	COLUMN D ----- COST CAPITALIZED, SUBSEQUENT TO	GROSS AMO -----
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DESCRIPTION	ACQUISITION		CARRIED AT	
	LAND	BUILDINGS AND IMPROVEMENTS	LAND	BUILDINGS AND IMPROVEMENTS
300 Motor Parkway Hauppauge, New York	--	1,833	276	
88 Duryea Road Melville, New York	--	823	200	
210 Blydenburgh Road Islandia, New York	--	175	11	
208 Blydenburgh Road Islandia, New York	--	188	12	
71 Hoffman Lane Islandia, New York	--	206	19	
933 Motor Parkway Hauppauge, New York	--	411	106	
85 South Service Road Plainview, New York	--	13	24	
333 Earl Ovington Blvd., (Omni) Mitchel Field, New York	--	22,053	0	8
135 Fell Court Islip, New York	--	273	462	
40 Cragwood Road South Plainfield, New Jersey	--	6,034	725	1
110 Marcus Drive Huntington, New York	--	107	390	
333 East Shore Road Great Neck, New York	--	456	0	
310 East Shore Road Great Neck, New York	--	2,344	485	
70 Schmitt Blvd. Farmingdale, New York	--	33	727	
19 Nicholas Drive Yaphank, New York	5	6,160	165	1
1516 Motor Parkway Hauppauge, New York	--	472	603	
35 Pinelawn Road Melville, New York	--	2,786	999	
520 Broadhollow Road Melville, New York	(1)	2,794	456	
1660 Walt Whitman Road Melville, New York	--	1,102	370	
70 Maxess Road Melville, New York	95	2,957	462	
20 Melville Park Rd., Melville, New York	--	106	391	
105 Price Parkway Farmingdale, New York	--	469	2,030	
48 Harbor Park Drive Port Washington, New York	--	520	1,304	
60 Charles Lindbergh Mitchel Field, New York	--	4,198	0	2
505 White Plains Road Tarrytown, New York	--	342	210	
555 White Plains Road Tarrytown, New York	51	4,656	763	
560 White Plains Road Tarrytown, New York	(1)	4,479	1,520	1
580 White Plains Road Tarrytown, New York	--	3,553	2,414	1
660 White Plains Road Tarrytown, New York	45	6,431	3,974	2
Landmark Square Stamford, Connecticut	832	31,464	12,435	9

DESCRIPTION	COLUMN A	COLUMN F	COLUMN G	COLUMN H
DESCRIPTION	ACCUMULATED DEPRECIATION	DATE OF CONSTRUCTION	DATE ACQUIRED	
300 Motor Parkway Hauppauge, New York	1,775	1979	1979	1
88 Duryea Road Melville, New York	1,496	1980	1980	1
210 Blydenburgh Road Islandia, New York	315	1969	1969	1
208 Blydenburgh Road Islandia, New York	344	1969	1969	1
71 Hoffman Lane Islandia, New York	433	1970	1970	1
933 Motor Parkway Hauppauge, New York	692	1973	1973	1
85 South Service Road Plainview, New York	153	1961	1961	1
333 Earl Ovington Blvd., (Omni) Mitchel Field, New York	30,782	1990	1995	1
135 Fell Court Islip, New York	509	1965	1992	1
40 Cragwood Road South Plainfield, New Jersey	8,397	1970	1983	1
110 Marcus Drive Huntington, New York	1,310	1980	1980	1
333 East Shore Road Great Neck, New York	700	1976	1976	1
310 East Shore Road Great Neck, New York	2,277	1981	1981	1
70 Schmitt Blvd. Farmingdale, New York	845	1965	1995	1
19 Nicholas Drive Yaphank, New York	2,556	1989	1995	1

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1516 Motor Parkway Hauppauge, New York	1,737	1981	1995	1
35 Pinelawn Road Melville, New York	2,802	1980	1995	1
520 Broadhollow Road Melville, New York	2,723	1978	1995	1
1660 Walt Whitman Road Melville, New York	1,417	1980	1995	1
70 Maxess Road Melville, New York	1,239	1967	1995	1
20 Melville Park Rd., Melville, New York	603	1965	1996	1
105 Price Parkway Farmingdale, New York	1,632	1969	1996	1
48 Harbor Park Drive Port Washington, New York	563	1976	1996	1
60 Charles Lindbergh Mitchel Field, New York	6,078	1989	1996	1
505 White Plains Road Tarrytown, New York	497	1974	1996	1
555 White Plains Road Tarrytown, New York	3,554	1972	1996	1
560 White Plains Road Tarrytown, New York	3,606	1980	1996	1
580 White Plains Road Tarrytown, New York	5,294	1997	1996	1
660 White Plains Road Tarrytown, New York	7,976	1983	1996	1
Landmark Square Stamford, Connecticut	19,337	1973-1984	1996	1

Continued

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RECKSON ASSOCIATES REALTY CORP.
 SCHEDULE III-REAL ESTATE AND ACCUMULATED DEPRECIATION
 DECEMBER 31, 2002
 (IN THOUSANDS)

COLUMN A ----- DESCRIPTION -----	COLUMN B ----- ENCUMBRANCE -----	COLUMN C ----- INITIAL COST	
		LAND -----	BUILDING IMPROVE -----
110 Bi -County Blvd. Farmingdale, New York	3,635	2,342	6,6
One Eagle Rock, East Hanover, New Jersey	--	803	7,5
710 Bridgeport Avenue Shelton, Connecticut	--	5,405	21,6
101 JFK Expressway Short Hills, New Jersey	--	7,745	43,8
10 Rooney Circle West Orange, New Jersey	--	1,302	4,6
Executive Hill Office Park West Orange, New Jersey	--	7,629	31,2
3 University Plaza Hackensack, New Jersey	--	7,894	11,8
150 Motor Parkway Hauppauge, New York	--	1,114	20,4
Reckson Executive Park Ryebrook, New York	--	18,343	55,0
University Square Princeton, New Jersey	--	3,288	8,8
100 Andrews Road Hicksville, New York	--	2,337	1,7
80 Grasslands Elmsford, New York	--	1,208	6,7
65 Marcus Drive Melville, New York	--	295	1,9
100 Forge Way Rockaway, New Jersey	--	315	9
200 Forge Way Rockaway, New Jersey	--	1,128	3,2
300 Forge Way Rockaway, New Jersey	--	376	1,0
400 Forge Way Rockaway, New Jersey	--	1,142	3,2
51 -- 55 Charles Lindbergh Blvd. Mitchel Field, New York	--	(A)	27,9
100 Summit Drive Valhalla, New York	19,101	3,007	41,3
115/117 Stevens Avenue Valhalla, New York	--	1,094	22,4
200 Summit Lake Drive Valhalla, New York	19,373	4,343	37,3
140 Grand Street White Plains, New York	--	1,932	18,7

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500 Summit Lake Drive Valhalla, New York	--	7,052	37,3
99 Cherry Hill Road Parsippany, New Jersey	--	2,360	7,5
119 Cherry Hill Road Parsippany, New Jersey	--	2,512	7,6
45 Melville Park Road Melville, New York	--	355	1,4
500 Saw Mill River Road Elmsford, New York	--	1,542	3,7
120 W.45th Street New York, New York	64,263	28,757	162,8
1255 Broad Street Clifton, New Jersey	--	1,329	15,8
810 7th Avenue New York, New York	82,854	26,984 (A)	152,7

COLUMN A ----- DESCRIPTION -----	COLUMN D ----- COST CAPITALIZED, SUBSEQUENT TO ACQUISITION			GR CARR
	LAND -----	BUILDINGS AND IMPROVEMENTS -----	LAND -----	
110 Bi -County Blvd. Farmingdale, New York	--	406	2,342	
One Eagle Rock, East Hanover, New Jersey	--	3,151	803	
710 Bridgeport Avenue Shelton, Connecticut	7	946	5,412	
101 JFK Expressway Short Hills, New Jersey	(3,098)	(16,116)	4,647	
10 Rooney Circle West Orange, New Jersey	1	1,002	1,303	
Executive Hill Office Park West Orange, New Jersey	4	2,778	7,633	
3 University Plaza Hackensack, New Jersey	--	2,684	7,894	
150 Motor Parkway Hauppauge, New York	--	3,479	1,114	
Reckson Executive Park Ryebrook, New York	--	4,550	18,343	
University Square Princeton, New Jersey	(1)	1,694	3,287	
100 Andrews Road Hicksville, New York	151	5,742	2,488	
80 Grasslands Elmsford, New York	--	606	1,208	
65 Marcus Drive Melville, New York	56	954	351	
100 Forge Way Rockaway, New Jersey	--	98	315	
200 Forge Way Rockaway, New Jersey	--	483	1,128	
300 Forge Way Rockaway, New Jersey	--	254	376	
400 Forge Way Rockaway, New Jersey	--	187	1,142	
51 -- 55 Charles Lindbergh Blvd. Mitchel Field, New York	--	4,292	0	
100 Summit Drive Valhalla, New York	--	4,879	3,007	
115/117 Stevens Avenue Valhalla, New York	--	1,911	1,094	
200 Summit Lake Drive Valhalla, New York	--	4,010	4,343	
140 Grand Street White Plains, New York	(1)	300	1,931	
500 Summit Lake Drive Valhalla, New York	--	7,837	7,052	
99 Cherry Hill Road Parsippany, New Jersey	5	1,330	2,365	
119 Cherry Hill Road Parsippany, New Jersey	6	1,097	2,518	
45 Melville Park Road Melville, New York	(1)	1,825	354	
500 Saw Mill River Road Elmsford, New York	--	205	1,542	
120 W.45th Street New York, New York	7,721 (D)	3,756	36,478	
1255 Broad Street Clifton, New Jersey	--	4,077	1,329	
810 7th Avenue New York, New York	117	13,920	27,101	

COLUMN A ----- DESCRIPTION -----	COLUMN F -----	COLUMN G -----	COLUMN H -----
	ACCUMULATED DEPRECIATION -----	DATE OF CONSTRUCTION -----	DATE ACQUIRED -----
110 Bi -County Blvd. Farmingdale, New York	1,508	1984	1997
One Eagle Rock, East Hanover, New Jersey	3,087	1986	1997

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710 Bridgeport Avenue Shelton, Connecticut	4,493	1971-1979	1997
101 JFK Expressway Short Hills, New Jersey	5,132	1981	1997
10 Rooney Circle West Orange, New Jersey	1,096	1971	1997
Executive Hill Office Park West Orange, New Jersey	6,337	1978-1984	1997
3 University Plaza Hackensack, New Jersey	3,136	1985	1997
150 Motor Parkway Hauppauge, New York	5,028	1984	1997
Reckson Executive Park Ryebrook, New York	10,587	1983-1986	1997
University Square Princeton, New Jersey	1,774	1987	1997
100 Andrews Road Hicksville, New York	1,897	1954	1996
80 Grasslands Elmsford, New York	1,389	1989/1964	1997
65 Marcus Drive Melville, New York	724	1968	1996
100 Forge Way Rockaway, New Jersey	190	1986	1998
200 Forge Way Rockaway, New Jersey	630	1989	1998
300 Forge Way Rockaway, New Jersey	328	1989	1998
400 Forge Way Rockaway, New Jersey	580	1989	1998
51 -- 55 Charles Lindbergh Blvd. Mitchel Field, New York	7,035	1981	1998
100 Summit Drive Valhalla, New York	8,114	1988	1998
115/117 Stevens Avenue Valhalla, New York	3,928	1984	1998
200 Summit Lake Drive Valhalla, New York	6,718	1990	1998
140 Grand Street White Plains, New York	3,078	1991	1998
500 Summit Lake Drive Valhalla, New York	7,159	1986	1998
99 Cherry Hill Road Parsippany, New Jersey	1,340	1982	1998
119 Cherry Hill Road Parsippany, New Jersey	1,425	1982	1998
45 Melville Park Road Melville, New York	763	1998	1998
500 Saw Mill River Road Elmsford, New York	670	1968	1998
120 W.45th Street New York, New York	20,103	1998	1999
1255 Broad Street Clifton, New Jersey	2,922	1999	1999
810 7th Avenue New York, New York	20,037	1970	1999

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RECKSON ASSOCIATES REALTY CORP.
 SCHEDULE III-REAL ESTATE AND ACCUMULATED DEPRECIATION
 DECEMBER 31, 2002
 (IN THOUSANDS)

COLUMN A	COLUMN B	COLUMN C	
-----	-----	-----	
		INITIAL COST	
DESCRIPTION	ENCUMBRANCE	LAND	BUILDINGS IMPROVEM
-----	-----	----	-----
120 Mineola Blvd. Mineola, New York	--	1,869	10,
100 Wall Street New York, New York	35,904	11,749	66,
One Orlando Orlando, Florida	38,366	9,386	51,
1350 Avenue of the Americas New York, New York	74,631	19,222	109,
919 3rd. Avenue New York, New York	246,651	101,644 (A)	205,
538 Broadhollow Road Melville, New York	--	3,900	21,
360 Hamilton Avenue White Plains, New York	--	2,838	34,
492 River Road Nutley, New Jersey	--	2,615	5,
275 Broadhollow Road Melville, New York	--	3,850	12,

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400 Garden City Plaza Garden City, New York	--	9,081	17,
90 Merrick Avenue East Meadow, New York	--	(A)	23,
120 White Plains Road Tarrytown, New York	--	3,852	24,
100 White Plains Road Tarrytown, New York	--	79	
51 JFK Parkway Short Hills, New Jersey	--	10,053	62,
680 Washington Blvd Stamford, Connecticut	--	4,561	23,
750 Washington Blvd Stamford, Connecticut	--	7,527	31,
1305 Walt Whitman Road Melville, New York	--	3,934	24,
50 Marcus Drive Melville, New York	--	930	13,
100 Grasslands Road Elmsford, New York	--	289	3,
2002 Orville Drive North Bohemia, New York	--	1,950	9,
390 Motor Parkway Hauppauge, New York	--	240	5,
58 South Service Road Melville, New York	--	1,061	
400 Moreland Road Commack, New York	--	343	1,
103 JFK Parkway Short Hills, New Jersey	--	3,098	18,
Land held for development	--	92,924	
Developments in progress	--	--	28,
Other property	--	--	
Total	-----	-----	-----
	\$740,012	\$ 483,555	\$1,968,
	=====	=====	=====

DESCRIPTION -----	COLUMN D ----- COST CAPITALIZED, SUBSEQUENT TO ACQUISITION		GROSS AM CARRIED AT ----- BUILD IMPR -----
	LAND -----	BUILDINGS AND IMPROVEMENTS -----	
120 Mineola Blvd. Mineola, New York	5	1,041	1,874
100 Wall Street New York, New York	93	9,798	11,842
One Orlando Orlando, Florida	32	3,779	9,418
1350 Avenue of the Americas New York, New York	--	18,037	19,222
919 3rd. Avenue New York, New York	12,795	86,412	114,439
538 Broadhollow Road Melville, New York	--	1,038	3,900
360 Hamilton Avenue White Plains, New York	--	21,351	2,838
492 River Road Nutley, New Jersey	--	4,145	2,615
275 Broadhollow Road Melville, New York	--	312	3,850
400 Garden City Plaza Garden City, New York	--	667	9,081
90 Merrick Avenue East Meadow, New York	--	1,111	0
120 White Plains Road Tarrytown, New York	--	359	3,852
100 White Plains Road Tarrytown, New York	--	79	79
51 JFK Parkway Short Hills, New Jersey	1	824	10,054
680 Washington Blvd Stamford, Connecticut	--	168	4,561
750 Washington Blvd Stamford, Connecticut	--	139	7,527
1305 Walt Whitman Road Melville, New York	--	41	3,934
50 Marcus Drive Melville, New York	65	4,912	995
100 Grasslands Road Elmsford, New York	--	1,214	289
2002 Orville Drive North Bohemia, New York	--	254	1,950
390 Motor Parkway Hauppauge, New York	--	833	240
58 South Service Road Melville, New York	6,886	42,218	7,947
400 Moreland Road Commack, New York	1,141	1,510	1,484
103 JFK Parkway Short Hills, New Jersey	217	9,585	3,315
Land held for development	--	--	92,924
Developments in progress	--	--	
Other property	--	18,650	
Total	-----	-----	-----
	\$27,409	\$474,928	\$510,964
			\$2,

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COLUMN A ----- DESCRIPTION -----	COLUMN F ----- ACCUMULATED DEPRECIATION -----	COLUMN G ----- DATE OF CONSTRUCTION -----	COLUMN H ----- DATE ACQUIRED -----
120 Mineola Blvd. Mineola, New York	1,500	1977	1999
100 Wall Street New York, New York	9,382	1969	1999
One Orlando Orlando, Florida	6,566	1987	1999
1350 Avenue of the Americas New York, New York	12,397	1966	2000
919 3rd. Avenue New York, New York	16,375	1970	2000
538 Broadhollow Road Melville, New York	1,802	2000	2000
360 Hamilton Avenue White Plains, New York	6,319	2000	2000
492 River Road Nutley, New Jersey	924	2000	2000
275 Broadhollow Road Melville, New York	1,813	1970	1997
400 Garden City Plaza Garden City, New York	2,166	1989	1997
90 Merrick Avenue East Meadow, New York	3,563	1985	1997
120 White Plains Road Tarrytown, New York	3,076	1984	1997
100 White Plains Road Tarrytown, New York	39	1984	1997
51 JFK Parkway Short Hills, New Jersey	7,619	1988	1998
680 Washington Blvd Stamford, Connecticut	2,883	1989	1998
750 Washington Blvd Stamford, Connecticut	3,738	1989	1998
1305 Walt Whitman Road Melville, New York	3,043	1999	1999
50 Marcus Drive Melville, New York	1,106	2001	1998
100 Grasslands Road Elmsford, New York	460	2001	1997
2002 Orville Drive North Bohemia, New York	919	2001	1996
390 Motor Parkway Hauppauge, New York	1,046	2001	1997
58 South Service Road Melville, New York	1,308	2001	1998
400 Moreland Road Commack, New York	41	2002	1997
103 JFK Parkway Short Hills, New Jersey	2,854	2002	1997
Land held for development		N/A	Various
Developments in progress	--		
Other property	2,713		

Total	\$445,029		
	=====		

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 Includes costs incurred to acquire the lessor's rights to an air rights lease agreement.

The aggregate cost of Federal Income Tax purposes was approximately \$2,191 million at December 31, 2002.

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The changes in real estate for each of the periods in the three years ended December 31, 2002 are as follows:

	2002	2001
	-----	-----
Real estate balance at beginning of period	\$ 2,880,879	\$ 2,770,607
Improvements / revaluations	91,900	193,492
Disposal, including write-off of fully depreciated building improvements	(18,252)	(83,220)
Acquisitions	--	--
	-----	-----
Balance at end of period	\$ 2,954,527	\$ 2,880,879
	=====	=====

The changes in accumulated depreciation, exclusive of amounts relating to equipment, autos, furniture and fixtures, for each of the periods in the three years ended December 31, 2002 are as follows:

	2002	2001	2000
	-----	-----	-----
Balance at beginning of period	\$ 357,112	\$ 284,315	\$ 210,000
Depreciation for period	91,940	83,316	70,000
Disposal, including write-off of fully depreciated building improvements	(4,023)	(10,519)	(10,000)
	-----	-----	-----
Balance at end of period	\$ 445,029	\$ 357,112	\$ 280,000
	=====	=====	=====

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EXHIBIT INDEX

EXHIBIT NUMBER	FILING REFERENCE	DESCRIPTION
-----	-----	-----
3.1	a	Amended and Restated Articles of Incorporation of the Registrant
3.2	s	Amended and Restated By-Laws of the Registrant
3.3	e	Articles Supplementary of the Registrant Establishing and Fixing the Rights Preferences of a Series of Shares of Preferred Stock filed with the Maryland State Department of Assessments and Taxation on April 9, 1998
3.4	h	Articles Supplementary of the Registrant Establishing and Fixing the Rights Preferences of a Class of Shares of Common Stock filed with the Maryland State Department of Assessments and Taxation on May 24, 1999
3.5	g	Articles Supplementary of the Registrant Establishing and Fixing the Rights Preferences of a Series of Shares of Preferred Stock filed with the Maryland State Department of Assessments and Taxation on May 28, 1999
3.6	h	Articles of Amendment of the Registrant filed with the Maryland State Department of Assessments and Taxation on January 4, 2000

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3.7	h	Articles Supplementary of the Registrant filed with the Maryland State Department of Assessments and Taxation on January 11, 2000
3.8	o	Articles Supplementary of the Registrant Establishing and Fixing the Rights Preferences of a Series of Shares of Preferred Stock filed with the Maryland Department of Assessments and Taxation on November 2, 2000
4.1	b	Specimen Share Certificate of Class A Common Stock
4.2	j	Specimen Share Certificate of Class B Exchangeable Common Stock
4.3	e	Specimen Share Certificate of Series A Preferred Stock
4.4	f	Form of 7.40% Notes due 2004 of Reckson Operating Partnership, L.P. (the "Operating Partnership")
4.5	f	Form of 7.75% Notes due 2009 of the Operating Partnership
4.6	f	Indenture, dated March 26, 1999, among the Operating Partnership, the Registrant and The Bank of New York, as trustee
4.7	i	Rights Agreement, dated as of October 13, 2000, between the Registrant and American Stock Transfer & Trust Company, as Rights Agent, which includes, as Exhibit A thereto, the Form of Articles Supplementary, as Exhibit B thereto, Form of Right Certificate, and as Exhibit C thereto, the Summary of Rights to Purchase Preferred Shares
4.8	q	Form of 6.00% Notes due 2007 of the Operating Partnership
4.9	d	Note Purchase Agreement for the Senior Unsecured Notes
10.1	a	Amended and Restated Agreement of Limited Partnership of the Operating Partnership
10.2	e	Supplement to the Amended and Restated Agreement of Limited Partnership of the Operating Partnership Establishing Series A Preferred Units of Limited Partnership Interest
10.3	e	Supplement to the Amended and Restated Agreement of Limited Partnership of the Operating Partnership Establishing Series B Preferred Units of Limited Partnership Interest
10.4	e	Supplement to the Amended and Restated Agreement of Limited Partnership of the Operating Partnership Establishing Series C Preferred Units of Limited Partnership Interest
10.5	e	Supplement to the Amended and Restated Agreement of Limited Partnership of the Operating Partnership Establishing Series D Preferred Units of Limited Partnership Interest
10.6	h	Supplement to the Amended and Restated Agreement of Limited Partnership of the Operating Partnership Establishing Series B Common Units of Limited Partnership Interest
10.7	h	Supplement to the Amended and Restated Agreement of Limited Partnership of the Operating Partnership Establishing Series E Preferred Partnership Units of Limited Partnership Interest
10.8	l	Supplement to the Amended and Restated Agreement of Limited Partnership of the Operating Partnership Establishing the Series F Junior Participating Partnership Units
10.9	d	Third Amended and Restated Agreement of Limited Partnership of Omni Partners, L.P.
10.10	i	Amendment and Restatement of Employment and Noncompetition Agreement, dated as of August 15, 2000, between the Registrant and Donald Rechler
10.11	i	Amendment and Restatement of Employment and Noncompetition Agreement, dated as of August 15, 2000, between the Registrant and Scott Rechler
10.12	i	Amendment and Restatement of Employment and Noncompetition Agreement, dated as of August 15, 2000, between the Registrant and Mitchell Rechler
10.13	i	Amendment and Restatement of Employment and Noncompetition Agreement, dated as of August 15, 2000, between the Registrant and Gregg Rechler
10.14	i	Amendment and Restatement of Employment and Noncompetition Agreement, dated as of August 15, 2000, between the Registrant and Roger Rechler
10.15	i	Amendment and Restatement of Employment and Noncompetition Agreement, dated as of August 15, 2000, between the Registrant and Michael Maturo
10.16	i	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	k	Amended and Restated 1995 Stock Option Plan

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10.20	c	1996 Employee Stock Option Plan
10.21	b	Ground Leases for certain of the properties
10.22	a	Indemnity Agreement relating to 100 Oser Avenue
10.23	k	Amended and Restated 1997 Stock Option Plan
10.24	d	1998 Stock Option Plan
10.25	i	Amendment and Restatement of Severance Agreement, dated as of August 15, 2000, between the Registrant and Donald Rechler
10.26	i	Amendment and Restatement of Severance Agreement, dated as of August 15, 2000, between the Registrant and Scott Rechler
10.27	i	Amendment and Restatement of Severance Agreement, dated as of August 15, 2000, between the Registrant and Mitchell Rechler
10.28	i	Amendment and Restatement of Severance Agreement, dated as of August 15, 2000, between the Registrant and Gregg Rechler
10.29	i	Amendment and Restatement of Severance Agreement, dated as of August 15, 2000, between the Registrant and Roger Rechler
10.30	i	Amendment and Restatement of Severance Agreement, dated as of August 15, 2000, between the Registrant and Michael Maturo
10.31	i	Amendment and Restatement of Severance Agreement, dated as of August 15, 2000, between the Registrant and Jason Barnett
10.32	h	Amended and Restated Credit Agreement dated as of August 4, 1999 between Reckson Service Industries, Inc., as borrower, and the Operating Partnership Lender, relating to Reckson Strategic Venture Partners, LLC ("RSVP Credit Agreement")

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EXHIBIT NUMBER	FILING REFERENCE	DESCRIPTION
10.33	h	Amended and Restated Credit Agreement dated as of August 4, 1999 between Reckson Service Industries, Inc., as borrower, and the Operating Partnership Lender, relating to the operations of Reckson Service Industries, Inc. ("RSVP Credit Agreement")
10.34	h	Letter Agreement, dated November 30, 1999, amending the RSVP Credit Agreement and the RSI Credit Agreement
10.35	m	Second Amendment to the Amended and Restated Credit Agreement, dated March 30, 2001, between the Operating Partnership and FrontLine Capital Group
10.36	n	Loan Agreement, dated as of June 1, 2001, between 1350 LLC, as Borrower, and Secore Financial Corporation, as Lender
10.37	n	Loan Agreement, dated as of July 18, 2001, between Metropolitan 919 3rd Avenue LLC, as Borrower, and Secore Financial Corporation, as Lender
10.38	i	Operating Agreement dated as of September 28, 2000 between Reckson Tri-State Member LLC (together with its permitted successors and assigns) and TIAA Tri-State LLC
10.39	l	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
10.40	l	Consolidated, Amended and Restated Secured Promissory Note relating to Metropolitan 810 7th Ave., LLC and 100 Wall Company LLC
10.41	p	Amended and Restated Operating Agreement of 919 JV LLC
10.42	r	2002 Stock Option Plan
10.43	s	Indemnification Agreement, dated as of May 23, 2002, between the Registrant and Donald J. Rechler*
10.44	t	Second Amended and Restated Credit Agreement, dated as of December 30, 2000

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		among the Operating Partnership, the institutions from time to time party as Lenders and JPMorgan Chase Bank, as Administrative Agent
10.45	t	Form of Guarantee Agreement to the Second Amended and Restated Credit Agreement, between and among the Operating Partnership, the institutions from time to time party thereto as Lenders and JPMorgan Chase Bank, as Administrative Agent
10.46	t	Form of Promissory Note to the Second Amended and Restated Credit Agreement, between and among the Operating Partnership, the institutions from time to time party thereto as Lenders and JPMorgan Chase Bank, as Administrative Agent
10.47	t	First Amendment to Second Amended and Restated Credit Agreement, dated as of January 24, 2003, among the Operating Partnership, JPMorgan Chase Bank, Administrative Agent for the institutions from time to time party thereto Lenders and Key Bank, N.A., as New Lender
10.48		Long-Term Incentive Award Agreement, dated March 13, 2003, between the Registrant and Scott H. Rechler**
10.49		Award Agreement, dated November 14, 2002, between the Registrant and Scott H. Rechler***
10.50		Award Agreement, dated March 13, 2003, between the Registrant and Scott H. Rechler****
12.1		Statement of Ratios of Earnings to Fixed Charges
21.1		Statement of Subsidiaries
23.1		Consent of Independent Auditors
24.1		Power of Attorney (included in Part IV of the Form 10-K)
99.1		Certification of Donald J. Rechler, Co-Chief Executive Officer of the Registrant pursuant to Section 1350 of Chapter 63 of Title 18 of the United States Code
99.2		Certification of Scott H. Rechler, Co-Chief Executive Officer of the Registrant pursuant to Section 1350 of Chapter 63 of Title 18 of the United States Code
99.3		Certification of Michael Maturo, Executive Vice President, Treasurer and Chief Financial Officer of the Registrant, pursuant to Section 1350 of Chapter 63 of Title 18 of the United States Code

- (a) Previously filed as an exhibit to the Registrant's Registration Statement Form S-11 (No. 333-74285) and incorporated herein by reference.
- (b) Previously filed as an exhibit to the Registrant's Registration Statement Form S-11 (No. 333-74285) and incorporated herein by reference.
- (c) Previously filed as an exhibit to the Registrant's Form 8-K report filed with the SEC on March 26, 1996 and incorporated herein by reference.
- (d) Previously filed as an exhibit to the Registrant's Form 10-K filed with the SEC on March 26, 1999 and incorporated herein by reference.
- (e) Previously filed as an exhibit to the Registrant's Form 8-K report filed with the SEC on March 26, 1999 and incorporated herein by reference.
- (f) Previously filed as an exhibit to the Registrant's Form 8-K filed with SEC on March 26, 1999 and incorporated herein by reference.
- (g) Previously filed as an exhibit to the Registrant's Form 8-K filed with SEC on June 7, 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 26, 1999 and incorporated herein by reference.
- (i) Previously filed as an exhibit to the Registrant's Form 8-K filed with the SEC on October 1, 1999 and incorporated herein by reference.
- (j) Previously filed as an exhibit to the Registrant's Form S-4 (No. 333-74285) and incorporated herein by reference.
- (k) Previously filed as an exhibit to the Registrant's Form 10-Q filed with the SEC on November 1, 1999 and incorporated herein by reference.
- (l) Previously filed as an exhibit to the Registrant's Form 10-K filed with the SEC on March 26, 1999 and incorporated herein by reference.
- (m) Previously filed as an exhibit to the Registrant's Form 10-Q filed with the SEC on May 1, 1999 and incorporated herein by reference.
- (n) Previously filed as an exhibit to the Registrant's Form 10-Q filed with the SEC on August 1, 1999 and incorporated herein by reference.

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- and incorporated herein by reference.
- (o) Included as an exhibit to Exhibit 4.7.
 - (p) Previously filed as an exhibit to the Registrant's Form 8-K filed with the SEC on January 27, 2003 and incorporated herein by reference.
 - (q) Previously filed as an exhibit to the Registrant's Form 8-K filed with the SEC on June 14, 2002 and incorporated herein by reference.
 - (r) Previously filed as an exhibit to the Registrant's Form 10-Q filed with the SEC on August 14, 2002 and incorporated herein by reference.
 - (s) Previously filed as an exhibit to the Registrant's Form 10-Q filed with the SEC on November 14, 2002 and incorporated herein by reference.
 - (t) Previously filed as an exhibit to the Registrant's Current Report on 8-K filed with the SEC on January 27, 2003 and incorporated herein by reference.
- * Each of Scott H. Rechler, Mitchell D. Rechler, Gregg M. Rechler, Michael Maturo, Roger M. Rechler, Jason M. Barnett, Herve A. Kevenides, John V.N. Klein, Lewis S. Ranieri and Christopher Stephenson has entered into an Indemnification Agreement with the Registrant, dated May 1, 2002. Each of Ronald H. Menaker and Peter Quick has entered into an Indemnification Agreement with the Registrant dated May 1, 2002. These Agreements are identical in all material respects to the Indemnification Agreement for Donald J. Rechler filed herewith.
- ** Each of Donald J. Rechler, Mitchell D. Rechler, Gregg M. Rechler, Michael Maturo, Roger M. Rechler and Jason M. Barnett has entered into a Long-Term Incentive Award Agreement with the Registrant, dated March 13, 2003. These Agreements are identical in all material respects to the Long-Term Incentive Award Agreement for Scott H. Rechler filed herewith.
- *** Each of Donald J. Rechler, Mitchell D. Rechler, Gregg M. Rechler, Michael Maturo and Roger M. Rechler has been awarded certain rights to shares of Class A common stock of the Registrant pursuant to award agreements dated November 14, 2002. These Agreements are identical in all material respects to the Agreement for Scott H. Rechler filed herewith, except that Donald J. Rechler received rights to 46,983 shares each of Mitchell D. Rechler, Gregg M. Rechler and Michael Maturo received rights to 27,588 shares and Roger M. Rechler received rights to 25,530 shares.
- **** Each of Donald J. Rechler, Mitchell D. Rechler, Gregg M. Rechler, Michael Maturo, Roger M. Rechler and Jason M. Barnett has been awarded certain rights to shares of Class A common stock of the Registrant pursuant to award agreements dated March 13, 2003. These Agreements are identical in all material respects to the Agreement for Scott H. Rechler filed herewith.