

NEW PLAN EXCEL REALTY TRUST INC
 Form 4
 February 28, 2007

FORM 4

**UNITED STATES SECURITIES AND EXCHANGE COMMISSION
 Washington, D.C. 20549**

OMB APPROVAL

OMB Number: 3235-0287
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STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP OF SECURITIES

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934, Section 17(a) of the Public Utility Holding Company Act of 1935 or Section 30(h) of the Investment Company Act of 1940

(Print or Type Responses)

1. Name and Address of Reporting Person *
 ENGELMAN IRWIN

2. Issuer Name and Ticker or Trading Symbol
 NEW PLAN EXCEL REALTY TRUST INC [NXL]

5. Relationship of Reporting Person(s) to Issuer

(Check all applicable)

(Last) (First) (Middle)

3. Date of Earliest Transaction
 (Month/Day/Year)

Director 10% Owner
 Officer (give title below) Other (specify below)

C/O NEW PLAN EXCEL REALTY TRUST, INC., 420 LEXINGTON AVENUE

02/27/2007

(Street)

4. If Amendment, Date Original Filed(Month/Day/Year)

6. Individual or Joint/Group Filing(Check Applicable Line)
 Form filed by One Reporting Person
 Form filed by More than One Reporting Person

NEW YORK, NY 10170

(City) (State) (Zip)

Table I - Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned

1. Title of Security (Instr. 3)	2. Transaction Date (Month/Day/Year)	2A. Deemed Execution Date, if any (Month/Day/Year)	3. Transaction Code (Instr. 8)	4. Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5)	5. Amount of Securities Beneficially Owned Following Reported Transaction(s) (Instr. 3 and 4)	6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4)	7. Nature of Ownership (Instr. 4)
				(A) or (D)	Amount		
				Code V	Price		
Common Stock	02/27/2007		A	A	1,300	\$ 30.03	D
					4,698		

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

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SEC 1474 (9-02)

Table II - Derivative Securities Acquired, Disposed of, or Beneficially Owned (e.g., puts, calls, warrants, options, convertible securities)

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12,334	\$ 19,977	\$ 35,041	Class B common	2,396	3,800	6,280	10,880	-----
----- Total				\$ 10,009	\$ 16,134	\$ 26,257	\$ 45,921	=====
===== Basic net income per weighted average common share: Class A								
common - income from continuing operations ... \$.09 \$.13 \$.26 \$.46 Gain on sales of depreciable real estate assets								
----- Discontinued operations07 .12 .16 .24 -----								
Basic net income per Class A common				\$.16	\$.25	\$.42	\$.70	=====
===== Class B common - income from continuing operations ... \$.13 \$.19 \$.38 \$.71								
Gain on sales of depreciable real estate assets ----- Discontinued operations11 .19 .25 .36								
----- Basic net income per Class B common				\$.24	\$.38	\$.63	\$ 1.07	=====
===== Basic weighted average common shares								
outstanding: Class A common 48,009,138 49,525,372 48,069,657 50,102,817 Class B								
common 9,915,313 10,010,423 9,915,313 10,191,483 Diluted net income per weighted								
average common share: Class A common				\$.16	\$.25	\$.41	\$.69	=====
===== Class B common \$.17 \$.26 \$.45 \$.75								
===== Diluted weighted average common shares								
outstanding: Class A common 48,179,428 49,825,400 48,205,207 50,445,005 Class B								
common 9,915,313 10,010,423 9,915,313 10,191,483 (see accompanying notes to financial								
statements) 3 RECKSON ASSOCIATES REALTY CORP. CONSOLIDATED STATEMENTS OF CASH FLOWS								
(UNAUDITED AND IN THOUSANDS) NINE MONTHS ENDED SEPTEMBER 30, ----- 2003								
2002 ----- CASH FLOWS FROM OPERATING ACTIVITIES: NET INCOME								
-----				\$ 42,207	\$ 62,382	Adjustments to reconcile net income to net cash		
provided by operating activities: Depreciation and amortization (including discontinued operations) 89,959								
82,913 Gain on sales of depreciable real estate assets ----- (4,804) Minority partners' interests in								
consolidated partnerships 13,404 14,379 Limited partners' minority interest in the operating partnership								
..... 3,072 4,796 (Equity) loss in earnings of real estate joint ventures and service companies . 30 (598) Changes								
in operating assets and liabilities: Tenant receivables (654) 312 Prepaid								
expenses and other assets 4,822 11,279 Deferred rents receivable								
..... (13,755) (19,666) Accrued expenses and other liabilities 3,932 (5,218) -----								
----- Net cash provided by operating activities				143,017	145,775			
----- CASH FLOWS FROM INVESTING ACTIVITIES: Additions to developments in progress								
..... (15,104) (37,304) Increase in mortgage notes receivable and proceeds from repayments								
..... (15,000) 12 Purchase of commercial real estate (40,500) -- Additions to								
commercial real estate properties (36,080) (31,029) Additions to furniture, fixtures and equipment								
..... (192) (71) Payment of leasing costs (13,185) (12,789)								
Distributions from investments in real estate joint ventures 243 -- Proceeds from sales of real estate								
..... -- 22,385 ----- Net cash used in investing activities (119,818) (58,796) -----								
----- CASH FLOWS FROM FINANCING ACTIVITIES: Proceeds from issuance of								
common stock net of issuance costs 74 6,310 Repurchases of common stock								
..... (4,538) (49,227) Principal payments on secured borrowings (8,932) (7,930)								
Payment of loan and equity issuance costs (164) (1,538) Proceeds from								
issuance of senior unsecured notes ----- 49,432 Proceeds from unsecured credit facility								
..... 112,000 115,000 Repayment of unsecured credit facility (5,000)								
(162,600) Distributions to minority partners in consolidated partnerships (16,313) (14,572) Distributions to								
limited partners in the operating partnership (9,264) (9,451) Distributions to preferred unit holders								
..... (820) (1,047) Dividends to common shareholders (80,496)								
(84,239) Dividends to preferred shareholders (15,950) (16,461) ----- Net cash								
used in financing activities				(29,403)	(176,323)			
----- Net (decrease) in cash and								
cash equivalents				(6,204)	(89,344)			
----- Cash and cash equivalents at beginning of period								
-----				30,827	121,975			
----- Cash and cash equivalents at end of period								
				\$ 24,623	\$ 32,631	===== (see accompanying notes to financial statements) 4 RECKSON		
ASSOCIATES REALTY CORP. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS SEPTEMBER								

30, 2003 (UNAUDITED) 1. ORGANIZATION AND FORMATION OF THE COMPANY Reckson Associates Realty Corp. (the "Company") is a self-administered and self managed real estate investment trust ("REIT") engaged in the ownership, management, operation, leasing and development of commercial real estate properties, principally office and industrial / R&D buildings and also owns land for future development (collectively, the "Properties") located in the New York tri-state area (the "Tri-State Area"). The Company was incorporated in Maryland in September 1994. In June 1995, the Company completed an initial public offering (the "IPO") and commenced operations. The Company became the sole general partner of Reckson Operating Partnership, L.P. (the "Operating Partnership") by contributing substantially all of the net proceeds of the IPO in exchange for an approximate 73% interest in the Operating Partnership. All Properties acquired by the Company are held by or through the Operating Partnership. In conjunction with the IPO, the Operating Partnership executed various option and purchase agreements whereby it issued common units of limited partnership interest in the Operating Partnership ("OP Units") to certain continuing investors in exchange for (i) interests in certain property partnerships, (ii) fee simple and leasehold interests in properties and development land, (iii) certain other business assets and (iv) 100% of the non-voting preferred stock of the management and construction companies. At September 30, 2003, the Company's ownership percentage in the Operating Partnership was approximately 88.9%. 2. BASIS OF PRESENTATION The accompanying consolidated financial statements include the consolidated financial position of the Company and the Operating Partnership at September 30, 2003 and December 31, 2002 and the results of their operations for the three and nine months ended September 30, 2003 and 2002, respectively, and, their cash flows for the nine months ended September 30, 2003 and 2002, respectively. 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 own less than a controlling interest. Such investments are reflected in the accompanying financial statements on the equity method of accounting. For the periods presented prior to October 1, 2002, the operating results of Reckson Management Group, Inc., RANY Management Group, Inc., Reckson Construction Group New York, Inc. and Reckson Construction Group, Inc. (the "Service Companies"), in which the Operating Partnership owned a 97% non-controlling interest were reflected in the accompanying financial statements on the equity method of accounting. 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 (see Note 10). All significant intercompany balances and transactions have been eliminated in the consolidated financial statements. Reckson Construction Group, Inc. and Reckson Construction Group New York, Inc. use the percentage-of-completion method for recording amounts earned on their contracts. This method records amounts earned as revenue in the proportion that actual costs incurred to date bear to the estimate of total costs at contract completion. Minority partners' interests in consolidated partnerships represent a 49% non-affiliated interest in RT Tri-State LLC, owner of an eight 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 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 11.1% and 10.3% at September 30, 2003 and 2002, respectively. The Company follows the guidance provided for under the Financing Accounting Standards Board ("FASB") Statement No. 66 "Accounting for Sales of Real Estate" ("Statement No. 66"), which provides guidance on sales contracts that are accompanied by agreements which require the seller to develop the property in the future. Under Statement No. 66 profit is recognized and allocated to the sale of the land and the later development or construction work on the basis of estimated costs of each activity; the same rate of profit is attributed to each activity. As a result, profits are recognized and reflected over the improvement period on the basis of costs incurred (including land) as a percentage of total costs estimated to be incurred. The Company uses the percentage of completion method, as the future costs of development and profit were reliably estimated (see Note 6). 5 The accompanying interim unaudited financial statements have been prepared by the Company's management pursuant to the rules and regulations of the Securities and Exchange Commission. Certain information and footnote disclosure normally included in the financial statements prepared in accordance with accounting principles generally accepted in the United States ("GAAP") may have been condensed or omitted pursuant to such rules and regulations, although management believes that the disclosures are adequate to make the information presented not misleading. The unaudited financial statements as of September 30, 2003 and for the three

and nine month periods ended September 30, 2003 and 2002 include, in the opinion of management, all adjustments, consisting of normal recurring adjustments, necessary to present fairly the financial information set forth herein. The results of operations for the interim periods are not necessarily indicative of the results that may be expected for the year ending December 31, 2003. These financial statements should be read in conjunction with the Company's audited financial statements and the notes thereto included in the Company's Form 10-K for the year ended December 31, 2002. The Company intends to qualify as a REIT under Sections 856 through 860 of the Internal Revenue Code of 1986, as amended (the "Code"). As a REIT, the Company will not generally be subject to corporate Federal income taxes as long as it satisfies certain technical requirements of the Code relating to composition of its income and assets and requirements relating to distributions of taxable income to shareholders. Certain prior period amounts have been reclassified to conform to the current period presentation. In October 2001, the FASB issued Statement No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets". Statement No. 144 provides accounting guidance for financial accounting and reporting for the impairment or disposal of long-lived assets. Statement No. 144 supersedes 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 allocable to common shareholders. Statement No. 144 only impacts the presentation of the results of operations and gain on sales of depreciable real estate assets for those properties sold during the period within the consolidated statements of income. In accordance with the provisions of Statement No. 144, the Company allocated approximately \$2.3 million and \$6.8 million of it unsecured corporate interest expense to discontinued operations for the three and nine months ended September 30, 2003, respectively. On July 1, 2001 and January 1, 2002, the Company adopted FASB Statement No.141 "Business Combinations" and FASB Statement No. 142, "Goodwill and Other Intangibles", respectively. As part of the acquisition of real estate assets, the fair value of the real estate acquired is allocated to the acquired tangible assets, consisting of land, building and building improvements, and identified intangible assets and liabilities, consisting of the value of above-market and below-market leases, other value of in-place leases, and value of tenant relationships, based in each case on their fair values. The Company assesses fair value based on estimated cash flow projections that utilize appropriate discount and capitalization rates and available market information. Estimates of future cash flows are based on a number of factors including the historical operating results, known trends, and market/economic conditions that may affect the property. If the Company incorrectly estimates the values at acquisition or the undiscounted cash flows, initial allocation of purchase price and future impairment charges may be different. Recent Accounting Pronouncements Effective January 1, 2002 the Company has elected to follow FASB Statement No. 123, "Accounting for Stock Based Compensation". 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. 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. 6 The following table sets forth the Company's pro forma information for its Class A common stockholders for the three and nine months ended September 30, 2003 and 2002 (in thousands except earnings per share data):

	THREE MONTHS ENDED	NINE MONTHS ENDED	SEPTEMBER 30,	SEPTEMBER 30,	-----	-----
	2003	2002	2003	2002	-----	-----

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 closed on March 11, 2003 and development of the aforementioned office building has commenced. Net proceeds from the land sale of approximately \$18.3 million were used to establish an escrow account with a qualified intermediary for a future exchange of real property pursuant to Section 1031 of the Code. The Code allows for the deferral of taxes related to the gain attributable to the sale of property if such qualified identified replacement property is identified within 45 days and acquired within 180 days from theONT>

A group, in accordance with § 240.13d-1(b)(1)(ii)(K). If filing as a non-U.S. institution in accordance with § 240.13d-1(b)(1)(ii)(J), please specify the type of institution:

Item 4. Ownership.

Provide the following information regarding the aggregate number and percentage of the class of securities of the issuer identified in Item 1.

- (a) Amount beneficially owned: 2,352,330
- (b) Percent of class: 7.2%
- (c) Number of shares as to which the person has:
 - (i) Sole power to vote or to direct the vote: 134,400
 - (ii) Shared power to vote or to direct the vote: 2,217,930
 - (iii) Sole power to dispose or to direct the disposition of: 134,400
 - (iv) Shared power to dispose or to direct the disposition of: 2,217,930

Item 5. Ownership of Five Percent or Less of a Class

If this statement is being filed to report the fact that as of the date hereof the reporting person has ceased to be the beneficial owner of more than five percent of the class of securities, check the following o .

N/A

Item 6. Ownership of More than Five Percent on Behalf of Another Person.

N/A

Item 7. Identification and Classification of the Subsidiary Which Acquired the Security Being Reported on By the Parent Holding Company

N/A

Item 8. Identification and Classification of Members of the Group

N/A

Item 9. Notice of Dissolution of Group

N/A

Item Certification
10.

By signing below I certify that, to the best of my knowledge and belief, the securities referred to above were not acquired and are not held for the purpose of or with the effect of changing or influencing the control of the issuer of the securities and were not acquired and are not held in connection with or as a participant in any transaction having that purpose or effect, other than activities solely in connection with a nomination under §240.14a-11.

SIGNATURE

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this statement is true, complete and correct.

BML Capital Management, LLC

Date: February 06, 2019

By: /s/ Braden M Leonard
Name: Braden M Leonard
Title: Managing Member

Date: February 06, 2019

By: /s/ Braden M Leonard
Name: Braden M Leonard

Footnotes: BML Investment Partners, L.P. is a Delaware limited partnership whose sole general partner is BML Capital Management, LLC. The managing member of BML Capital Management, LLC is Braden M. Leonard. As a result, Braden M. Leonard is deemed to be the indirect owner of the shares held directly by BML Investment Partners, L.P. Despite such shared beneficial ownership, the reporting persons disclaim that they constitute a statutory group within the meaning of Rule 13d-5(b) (1) of the Exchange Act.

Attention: Intentional misstatements or omissions of fact constitute Federal criminal violations (See 18 U.S.C. 1001)

-----	2003	2002	2003	2002	-----	Numerator: Income before discontinued operations, dividends to preferred shareholders and (income) allocated to Class B shareholders
	\$ 10,956	\$ 13,538	\$ 31,922	\$ 46,828		Discontinued operations (net of share applicable to limited partners and Class B shareholders)
	3,321	6,180	7,823	11,882		Dividends to preferred shareholders
						(5,316)

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(5,487) (15,950) (16,461) (Income) allocated to Class B common shareholders	(1,348) (1,897) (3,818)
(7,208) -----	Numerator for basic and diluted earnings per Class A common share .. \$ 7,613 \$
12,334 \$ 19,977 \$ 35,041 =====	Denominator: Denominator for basic
earnings per share - weighted average Class A common shares	48,009 49,525 48,070 50,103
Effect of dilutive securities: Common stock equivalents	170 300 135 342 -----
-----	Denominator for diluted earnings per Class A common share - adjusted weighted average shares and assumed
conversions 48,179 49,825 48,205 50,445 =====	Basic earnings per
weighted average common share: Class A common - income from continuing operations	\$.09 \$.13 \$.26 \$
.46 Gain on sales of depreciable real estate assets	-- -- -- -- Discontinued operations
.07 .12 .16 .24 -----	Net income per Class A common share
-----	\$.16 \$.25 \$.42
\$.70 =====	Diluted earnings per weighted average common share: Class A
common - income from continuing operations	\$.09 \$.13 \$.25 \$.45 Gain on sales of depreciable real estate
assets	-- -- -- -- Discontinued operations
-----	.07 .12 .16 .24 -----
-----	Diluted net income per Class A common share
-----	\$.16 \$.25 \$.41 \$.69 =====

15 The following table sets forth the Company's reconciliation of numerators and denominators of the basic and diluted net income per weighted average common share and the computation of basic and diluted net income per weighted average share for the Company's Class B common stock (in thousands except for earnings per share data): THREE MONTHS ENDED NINE MONTHS ENDED SEPTEMBER 30, SEPTEMBER 30,

-----	2003 2002 2003 2002 -----	Numerator: Income before
discontinued operations, dividends to preferred shareholders and (income) allocated to Class A shareholders		
.....	\$ 10,956 \$ 13,538 \$ 31,922 \$ 46,828	Discontinued operations (net of share applicable to limited
partners and Class A shareholders)	1,048 1,903 2,462 3,672	Dividends to preferred shareholders
(5,316) (5,487) (15,950) (16,461) (Income) allocated to Class A common shareholders	(4,292) (6,154) (12,154)	
(23,159) -----	Numerator for basic earnings per Class B common share	2,396 3,800 6,280
10,880	Add back: Income allocated to Class A common shareholders	7,613 12,334 19,977 35,041
Limited	partner's minority interest in the operating partnership	1,202 1,941 3,072 5,538 -----
-----	Numerator for diluted earnings per Class B common share ...	\$ 11,211 \$ 18,075 \$ 29,329 \$
51,459 =====	Denominator: Denominator for basic earnings per	
share-weighted average Class B common shares	9,915 10,010 9,915 10,191	Effect of dilutive securities:
Weighted average Class A common shares outstanding .	48,009 49,525 48,070 50,103	Weighted average OP Units
outstanding	7,554 7,276 7,370 7,427	Common stock equivalents
-----	170 300 135 342 -----	
-----	Denominator for diluted earnings per Class B common share - adjusted weighted average shares	
and assumed conversions 65,648 67,111 65,490 68,063 =====	Basic earnings	
per weighted average common share: Class B common - income from continuing operations ...	\$.13 \$.19 \$.38 \$.71	
Gain on sales of depreciable real estate assets	-- -- -- -- Discontinued operations11 .19 .25 .36
-----	Net income per Class B common share	\$.24 \$.38 \$.63 \$ 1.07 =====
=====	Diluted earnings per weighted average common share: Class B common - income	
from continuing operations ...	\$.15 \$.23 \$.41 \$.70	Gain on sales of depreciable real estate assets
-----	-- -- -- --	Discontinued operations
-----	.02 .03 .04 .05 -----	Diluted net income per Class
B common share	\$.17 \$.26 \$.45 \$.75 =====	

-----	2003 2002 -----	Cash paid during the period for interest.....	\$ 79,193 \$
79,456 =====	Interest capitalized during the period	\$ 5,804 \$ 6,354 =====	

16 9. 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 President 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

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located in Orlando, Florida (iii) the operating performance of those properties reflected as discontinued operations in the Company's consolidated statements of income 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 following table sets forth the components of the Company's revenues and expenses and other related disclosures for the three months ended September 30, 2003 and 2002 (in thousands): Three months ended

	September 30, 2003		September 30, 2002	
	Core CONSOLIDATED	Core CONSOLIDATED	Core CONSOLIDATED	Core CONSOLIDATED
Portfolio Other TOTALS Portfolio Other TOTALS	Portfolio Other TOTALS	Portfolio Other TOTALS	Portfolio Other TOTALS	Portfolio Other TOTALS
REVENUES:				
Base rents, tenant escalations and reimbursements	\$ 110,167	\$ 1,538	\$ 111,705	\$ 112,566
Other income	686	5,714	6,400	239
Total Revenues	110,853	7,252	118,105	112,805
EXPENSES:				
Property operating expenses	46,376	834	47,210	41,965
Marketing, general and administrative	3,895	4,344	8,239	4,244
Interest	3,158	7,402	12,633	7,598
Depreciation and amortization	24,702	1,571	26,273	24,273
Total Expenses	87,606	14,347	101,953	81,516
Income (loss) before minority interests, preferred dividends and distributions, equity (loss) in earnings of real estate joint ventures and service companies, and discontinued operations	\$ 23,247	\$ (7,095)	\$ 16,152	\$ 31,289
Total Assets	\$ 2,495,844	\$ 446,230	\$ 2,942,074	\$ 2,485,675

The following table sets forth the components of the Company's revenues and expenses and other related disclosures for the nine months ended September 30, 2003 and 2002 (in thousands): Nine months ended

	September 30, 2003		September 30, 2002	
	Core CONSOLIDATED	Core CONSOLIDATED	Core CONSOLIDATED	Core CONSOLIDATED
Portfolio Other TOTALS Portfolio Other TOTALS	Portfolio Other TOTALS	Portfolio Other TOTALS	Portfolio Other TOTALS	Portfolio Other TOTALS
REVENUES:				
Base rents, tenant escalations and reimbursements.....	\$327,874	\$ 5,145	\$333,019	\$329,356
Other income.....	2,520	16,063	18,583	399
Total Revenues.....	330,394	21,208	351,602	329,755
EXPENSES:				
Property operating expenses.....	132,051	2,736	134,787	117,138
Marketing, general and administrative.....	12,055	12,700	24,755	12,207
Interest.....	8,716	20,923	37,902	23,268
Depreciation and amortization.....	78,144	4,701	82,845	69,498
Total Expenses.....	260,152	43,405	303,557	231,887
Income (loss) before minority interests, preferred dividends and distributions, equity (loss) in earnings of real estate joint ventures and service companies, gain on sales of depreciable real estate assets and discontinued operations.....	\$ 70,242	\$ (22,197)	\$ 48,045	\$ 97,868

10. RELATED PARTY TRANSACTIONS In connection with the IPO, the Company was granted ten year options to acquire ten properties (the "Option Properties") which were either owned by certain Rechler family members who were also executive officers of the Company, or in which the Rechler family members owned 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. In connection with the Company's disposition of the Long Island industrial portfolio, four of the five remaining options (the "Remaining Option Properties") granted to the Company at the time of the IPO to purchase interests in properties owned by Rechler family members were terminated. In return the Company received an aggregate payment from the Rechler family members of \$972,000. Rechler family members have also agreed to extend the term of the remaining option on the property located at 225 Broadhollow Road, Melville, New York (the Company's current headquarters) for five years and to release the Company from approximately 15,500 square feet under its lease at this property. In connection with the restructuring of the remaining option the Rechler family members paid Reckson \$1 million in return for Reckson's agreement not to exercise the option during the next three years. As part of the agreement, the exercise price of the option payable by Reckson was increased by \$1 million. 18

As part of the Company's REIT structure it is provided management, leasing and construction related services through taxable REIT subsidiaries as defined by the 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% interests 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 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 the nine months ended September 30, 2003, Reckson Construction Group, Inc. billed approximately \$317,000 of market rate services and Reckson Management Group, Inc. billed approximately \$207,000 of market rate management fees to the Remaining Option Properties. In addition, for the nine months ended September 30, 2003, Reckson Construction Group, Inc. performed market rate services, aggregating approximately \$178,500, for a property in which certain executive officers of the Company maintain an equity interest. Reckson Management Group, Inc. leases approximately 28,200 square feet of office and storage space at a Remaining Option Property located at 225 Broad Hollow Road, Melville, New York for its corporate offices at an annual base rent of approximately \$653,000. The Company has also entered into a short term license agreement at the property for 6,000 square feet of temporary space expiring in January 2004. Reckson Management Group, Inc. also leases 10,722 square feet of warehouse space used for equipment, materials and inventory storage at a property owned by certain members of the Rechler family 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 \$447,000. Reckson Strategic Venture Partners, LLC ("RSVP") leased 5,144 square feet in one of the Company's joint venture properties at an annual base rent of approximately \$176,000. On June 15, 2003, this lease was mutually terminated and RSVP vacated the premises. 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 invested primarily in real estate and real estate operating companies outside the Company's core office and industrial / R&D focus and whose common equity is held indirectly by FrontLine. In connection with the formation and spin-off of FrontLine, the Operating Partnership established an unsecured credit facility with FrontLine (the "FrontLine Facility") in the amount of \$100 million for FrontLine to use in its investment activities, operations and other general corporate purposes. The Company has advanced approximately \$93.4 million under the FrontLine Facility. The Operating Partnership also approved the funding of investments of up to \$100 million relating to RSVP (the "RSVP Commitment"), through RSVP-controlled joint ventures (for REIT-qualified investments) or advances made to FrontLine under an unsecured loan facility (the "RSVP Facility") having terms similar to the FrontLine Facility (advances made under the RSVP Facility and the FrontLine Facility hereafter, the "FrontLine Loans"). During March 2001, the Company increased the RSVP Commitment to \$110 million and as of September 30, 2003 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 September 30, 2003, interest accrued (net of reserves) under the FrontLine Facility and the RSVP Facility was approximately \$19.6 million. At June 30, 2001, the Company assessed the recoverability of the FrontLine Loans and reserved approximately \$3.5 million of the interest accrued during the three-month period then ended. In addition, the Company formed a committee of its Board of Directors, comprised solely of independent directors, to consider any actions to be taken by the Company in connection with the FrontLine Loans and its investments in joint ventures with RSVP. During the third quarter of 2001, the Company noted a significant deterioration in FrontLine's operations and financial condition and, based on its assessment of value and recoverability and considering the findings and recommendations of the committee and its financial advisor, the Company recorded a \$163 million valuation reserve charge, inclusive of anticipated costs, in its consolidated statements of operations relating to its investments in the FrontLine Loans and joint ventures with RSVP. The Company has discontinued the accrual of interest income with respect to the FrontLine Loans. The Company has also reserved against its share of GAAP equity in earnings from the RSVP controlled joint ventures funded through the

RSVP Commitment until such income is realized through cash distributions. At December 31, 2001, the Company, pursuant to Section 166 of the 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 United States Bankruptcy Code. 19 In September 2003, RSVP completed the restructuring of its capital structure and management arrangements. In connection with the restructuring, RSVP redeemed the interest of the preferred equity holders of RSVP for an aggregate of approximately \$137 million in cash and the transfer to the preferred equity holders of the assets that comprised RSVP's parking investment valued at approximately \$28.5 million. RSVP also restructured its management arrangements whereby a management company formed by its former managing directors has been retained to manage RSVP pursuant to a management agreement and the employment contracts of the managing directors with RSVP have been terminated. The management agreement provides for an annual base management fee, and disposition fees equal to 2% of the net proceeds received by RSVP on asset sales. (The base management fee and disposition fees are subject to a maximum over the term of the agreement of \$7.5 million.) In addition, the managing directors retained a one-third residual interest in RSVP's assets which is subordinated to the distribution of an aggregate amount of \$75 million to RSVP and/or the Company in respect of its joint ventures with RSVP. The management agreement has a three-year term, subject to early termination in the event of the disposition of all of the assets of RSVP. In connection with the restructuring, RSVP and certain of its affiliates obtained a \$60 million secured loan. In connection with this loan, the Operating Partnership agreed to indemnify the lender in respect of any environmental liabilities incurred with regard to RSVP's remaining assets in which the Operating Partnership has a joint venture interest (primarily certain student housing assets held by RSVP) and guaranteed the obligation of an affiliate of RSVP to the lender in an amount up to \$6 million plus collection costs for any losses incurred by the lender as a result of certain acts of malfeasance on the part of RSVP and/or its affiliates. The loan is scheduled to mature in 2006 and is expected to be repaid from proceeds of assets sales by RSVP. 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 September 30, 2003. Such amount has been reflected in investments in service companies and affiliate loans and joint ventures on the Company's consolidated balance sheet. 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 and is its sole board member. Scott H. Rechler also serves as a member of the management committee of RSVP. 20

11. COMMITMENTS AND CONTINGENCIES HQ Global Workplaces, Inc. ("HQ"), one of the largest providers of flexible officing solutions in the world and which was formerly controlled by FrontLine, previously operated eleven executive office centers comprising approximately 205,000 square feet at the Company's properties, including two operated at the Company's joint venture properties. 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 and subsequently rejected three of its leases with the Company and surrendered approximately an additional 20,500 square feet from two other leases. The Company has since re-leased 100% of the rejected space. In September 2003, the Bankruptcy Court approved the assumption and amendment by HQ of its remaining eight leases with the Company. The assumed leases expire between 2007 and 2011, encompass approximately 150,000 square feet and provide for current annual base rents totaling approximately \$3.5 million. A committee designated by the Board and chaired by an independent director conducted all negotiations with HQ. WorldCom/MCI and its affiliates ("WorldCom"), a telecommunications company, which leased 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 Bankruptcy Court granted WorldCom's petition to reject four of its leases with the Company. The four rejected leases aggregated approximately 282,000 square feet and were to provide for contractual base rents of approximately \$7.2 million for the 2003 calendar year. The Company has agreed to restructure five of the remaining leases. Pursuant to WorldCom's Plan of Reorganization which has been confirmed by the Bankruptcy Court, WorldCom must assume or reject the remaining leases prior to the effective date of the Plan. The effective date of the Plan is estimated to occur during the first quarter of 2004. All of WorldCom's leases are current on base rental charges through November 30, 2003, other

than under the four rejected leases and the Company currently holds approximately \$195,000 in security deposits relating to the non-rejected 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 of September 30, 2003, WorldCom occupied approximately 245,000 square feet of office space with aggregate annual base rental revenues of approximately \$4.1 million, or 1.1% of the Company's total 2003 annualized rental revenue based on base rental revenue earned on a consolidated basis.

12. SUBSEQUENT EVENTS On September 10, 2003, the Company announced that it had entered into agreements relating to the disposition of its Long Island industrial building portfolio (the "Disposition") to members of the Rechler family for approximately \$315.5 million in cash and other consideration. The transactions contemplated by the agreements were consummated on November 10 and November 12, 2003. As a result, the Company has disposed of all but three of its 95 property, 5.9 million square foot, Long Island industrial building portfolio for approximately \$225.1 million in cash and debt assumption and 3,932,111 OP Units valued at approximately \$90.4 million. Approximately \$210 million of cash sales proceeds from the Disposition were used to repay the Credit Facility. The remaining three properties, two of which are subject to transfer pursuant to Section 1031 of the Code, are anticipated to close within three to six months. In addition, four of the five remaining options granted to the Company at the time of its IPO to purchase interests in properties owned by Rechler family members (including three properties in which the Rechler family members hold non-controlling interests and one industrial property) were terminated along with the Company's management contracts relating to three of such properties. In return the Company received an aggregate payment from the Rechler family members of \$972,000. Rechler family members also extended the term of the remaining option on the property located at 225 Broadhollow Road, Melville, New York (the Company's current headquarters) for five years and released the Company from approximately 15,500 square feet under its lease at this property. In connection with the restructuring of the remaining option the Rechler family members paid the Company \$1 million in return for the Company's agreement not to exercise the option during the next three years. As part of the agreement, the exercise price of the option payable by the Company was increased by \$1 million. In addition, as part of the transaction, the Rechler family entity was granted rights of first refusal with respect to five vacant land parcels located near the industrial properties for a period of five years.

21 In connection with the closing, each of Donald Rechler, Roger Rechler, Gregg Rechler and Mitchell Rechler resigned as an officer of the Company. Mr. Donald Rechler remains a member of the Board of Directors of the Company. In settlement of their employment agreements, these four executives received accelerated vesting of certain equity based awards and an assignment of certain loans owed to the Company. Additionally, these exiting executives have agreed to provide two-year commitments to assist the Company in the transition and entered into specified non-compete arrangements. In addition, the Company also announced certain other management changes and corporate governance enhancements. The reconstituted Board consists of six independent directors and Messers Scott and Donald Rechler. The Company has filled the executive positions vacated by the departing Rechler family members by promoting from within. In conjunction with this transaction, the Company is also proposing to de-stagger its Board of Directors at its next Annual Shareholders Meeting, to opt out of state anti-takeover provisions and to authorize modification of the ownership limit currently in its charter relating to the "five or fewer rule." The Company is also under contract to sell a 181,000 square foot office property located on Long Island for approximately \$24.4 million and is scheduled to close during the fourth quarter. Net proceeds from the sale are anticipated to be used to repay the Credit Facility. In accordance with the provisions of FASB Statement No. 144, the Company has separately identified and classified the assets and liabilities of the aforementioned 95 industrial properties and the office property located on Long Island on its consolidated balance sheets as held for sale. In addition, income from the operations of these properties has been reflected on the Company's consolidated statements of income as income from discontinued operations. On November 10, 2003, in connection with the Company's sale of its Long Island industrial building portfolio and the settlement of the employment contracts of the departing Rechler family members, the Company incurred the following restructuring charges: (i) approximately \$7.5 million related to outstanding stock loans under the Company's historical LTIP program were transferred to the purchaser and approximately \$575,000 of loans related to life insurance contracts were extinguished, (ii) approximately \$2.9 million paid to the departing Rechler family members in exchange for 127,689, or 100%, of their 2002 Rights and their 2003 Rights were forfeited in their entirety and (iii) with respect to two of the departing Rechler family members participating in the Company's March 2003 LTIP, each received 8,681 shares of the Company's Class A common stock related to the service component of their core award which was valued at \$399,000 in the aggregate. In addition, if the Company attains its annual performance measure in March

2004, these individuals will also be entitled to each receive 26,041 shares of Class A common stock representing the balance of the annual core award as if they had remained in continuous employment with the Company. The remainder of their core awards, aggregating 208,334 shares of Class A common stock, was forfeited. On November 10, 2003, the Company entered into a contract to acquire 1185 Avenue of the Americas, a 42-story, 1.1 million square foot Class A office tower, located between 46th and 47th Streets in New York City for \$321 million. The building is presently encumbered by a \$202 million mortgage and \$48 million of mezzanine debt that the Company would assume at closing. The balance of the purchase price would be paid through an advance under the Credit Facility. The floating rate mortgage and mezzanine debt both mature in August 2004 and presently have a weighted average interest rate of 4.95%. The property is also encumbered by a ground lease which has a remaining term of approximately 40 years with rent scheduled to be re-set at the end of 2005 and then remain constant for the balance of the term. The closing is subject to customary consents and conditions. As of September 30, 2003, the Credit Facility carried a facility fee of 20 basis points per annum and outstanding borrowings were priced off LIBOR plus 90 basis points. On November 12, 2003, as a result of one of the Operating Partnership's rating agencies changing the Operating Partnership's unsecured credit rating, the facility fee was increased to 30 basis points and the interest rate on outstanding borrowings was re-set to LIBOR plus 120 basis points. Based on current outstanding borrowings under the Credit Facility and giving effect to repayments under the Credit Facility as part of the Long Island industrial building portfolio sale, the change in the Operating Partnership's unsecured credit rating will increase interest expense by approximately \$1.1 million per annum. In the event the Operating Partnership re-establishes its previous unsecured credit rating the interest rates and facility fee will be re-set to their previous levels.

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

The following discussion should be read in conjunction with the accompanying Consolidated Financial Statements of Reckson Associates Realty Corp. (the "Company") and related notes thereto. The Company considers certain statements set forth herein to be forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, with respect to the Company's expectations for future periods. Certain forward-looking statements, including, without limitation, statements relating to the timing and success of acquisitions and the completion of development or redevelopment of properties, the financing of the Company's operations, the ability to lease vacant space and the ability to renew or relet space under expiring leases, involve risks and uncertainties. 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; changes in the Company's credit ratings; changes in the Company's cost and access to capital; 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; 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 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. The Company makes estimates of the collectibility of its tenant 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, changes in customer payment terms, publicly available information and to the extent available, guidance provided by the tenant 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 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. During the three and nine months ended September 30, 2003, the Company incurred approximately \$373,000 and \$3.7 million of bad debt expense, respectively, related to tenant receivables and deferred rents receivable which accordingly reduced total revenues and reported net income during the period. 23 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. Reckson Construction Group, Inc. and Reckson Construction Group New York, Inc. use the percentage-of-completion method for recording amounts earned on their contracts. This method records amounts earned as revenue in the proportion that actual costs incurred to date bear to the estimate of total costs at contract completion. 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. The Company follows the guidance provided for under the Financing Accounting Standards Board ("FASB") Statement No. 66 "Accounting for Sales of Real Estate" ("Statement No. 66"), which provides guidance on sales contracts that are accompanied by agreements which require the seller to develop the property in the future. Under Statement No. 66 profit is recognized and allocated to the sale of the land and the later development or construction work on the basis of estimated costs of each activity; the same rate of profit is attributed to each activity. As a result, profits are recognized and reflected over the improvement period on the basis of costs incurred (including land) as a percentage of total costs estimated to be incurred. The Company uses the percentage of completion method, as the future costs of development and profit were reliably estimated. 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 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. On July 1, 2001 and January 1, 2002, the Company adopted FASB Statement No.141 "Business

Combinations" and FASB Statement No. 142, "Goodwill and Other Intangibles", respectively. As part of the acquisition of real estate assets, the fair value of the real estate acquired is allocated to the acquired tangible assets, consisting of land, building and building improvements, and identified intangible assets and liabilities, consisting of the value of above-market and below-market leases, other value of in-place leases, and value of tenant relationships, based in each case on their fair values. The Company assesses fair value based on estimated cash flow projections that utilize appropriate discount and capitalization rates and available market information. Estimates of future cash flows are based on a number of factors including the historical operating results, known trends, and market/economic conditions that may affect the property. If the Company incorrectly estimates the values at acquisition or the undiscounted cash flows, initial allocation of purchase price and future impairment charges may be different.

24 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 recognizing an impairment results in an immediate negative adjustment to net income. In determining impairment, if any, the Company has adopted FASB Statement No. 144, "Accounting for the Impairment or Disposal of Long Lived Assets." In accordance with the provisions of Statement No. 144, the Company allocated approximately \$2.3 million and \$6.8 million of its unsecured corporate interest expense to discontinued operations for the three and nine months ended September 30, 2003, respectively.

25 OVERVIEW AND BACKGROUND The Company is a self-administered and self-managed real estate investment trust ("REIT") specializing in the ownership, operation, acquisition, leasing, financing, management and development of office and industrial / R&D properties. The Company's growth strategy is focused on the real estate markets in and around the New York tri-state area (the "Tri-State Area"). As of September 30, 2003, the Company owned and operated 78 office properties (inclusive of ten office properties owned through joint ventures) comprising approximately 13.8 million square feet, 102 industrial / R&D properties comprising approximately 6.8 million square feet and two retail properties comprising approximately 20,000 square feet located in the Tri-State Area. For information relating to events subsequent to September 30, 2003, see "Recent Developments". As of September 20, 2003, the Company also owned approximately 313 acres of land in 12 separate parcels of which the Company can develop approximately 3.0 million square feet of office space and approximately 400,000 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 September 30, 2003, the Company had invested approximately \$150.8 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. As of September 30, 2003, the Company has capitalized approximately \$7.1 million related to real estate taxes, interest and other carrying costs related to these development projects. In October 2003, the Company entered into contracts to sell two land parcels aggregating approximately 128 acres of its land holdings located in New Jersey. The contracts provided for aggregate sales prices ranging from \$23 million to \$43 million. These sales are contingent upon obtaining zoning for residential use of the land and other customary approvals. The proceeds ultimately received from such sales will be based upon the number of residential units permitted by the rezoning. The closing is scheduled to occur upon the rezoning which is anticipated to occur within 12 to 36 months. 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 closed on March 11, 2003 and development of the aforementioned office building has commenced. Net proceeds from the land sale of approximately \$18.3 million were used to establish an escrow account with a qualified intermediary for a future exchange of real property pursuant to Section 1031 of the Internal Revenue Code of 1986, as amended (the "Code"). The Code allows for the deferral of taxes related to the gain attributable to the sale of property if such qualified identified replacement property is

identified within 45 days and acquired within 180 days from the initial sale. As described below, the Company has since identified and acquired certain qualified replacement properties and an interest in a qualified joint venture property for purposes of this exchange. In accordance with Statement No. 66, the Company has estimated its pre-tax gain on this land sale and build-to-suit transaction to be approximately \$20.9 million of which \$3.3 million and \$13.4 million has been recognized during the three and nine months ended September 30, 2003, respectively and is included in investment and other income on the Company's statements of income. Approximately \$7.5 million is estimated to be earned in future periods as the development progresses. On May 22, 2003, the Company, through Reckson Construction Group, Inc., acquired two industrial redevelopment properties in Hauppauge, Long Island encompassing approximately 100,000 square feet for total consideration of approximately \$6.5 million. On August 27, 2003, the Company, through Reckson Construction Group, Inc., acquired the remaining 49% interest in the property located at 275 Broadhollow Road, Melville, NY, from the Company's joint venture partner, Teachers Insurance and Annuity Association, for approximately \$12.4 million. These acquisitions were financed from the sales proceeds being held by the previously referenced qualified intermediary and the properties acquired were identified, qualified replacement properties. As a result of these acquisitions, the Company successfully completed the exchange of real property pursuant to Section 1031 and thereby deferred the taxes related to the gain recognized on the sale proceeds received from the land sale to First Data Corp. On August 7, 2003, the Company acquired a ten story, 181,800 square foot Class A office property located in Stamford, Connecticut. This acquisition was financed, in part, through an advance under the Company's unsecured credit facility of \$21.6 million and the issuance of 465,845 Class C common units of limited partnership interest valued at \$24.00 per unit. In accordance with FASB Statement No. 141 "Business Combinations", the Company allocated and recorded a net deferred intangible lease asset of approximately \$1.5 million, representing the net value of acquired above and below market leases, assumed lease origination costs and other value of in-place leases. The net value of the above and below market leases is amortized over the remaining terms of the respective leases to rental income and such amortization amounted to approximately \$133,000 during the third quarter of 2003. In addition, amortization expense on the value of lease origination costs was approximately \$45,500 for the third quarter 2003. At acquisition, there were 16 in-place leases aggregating approximately 136,000 square feet with a weighted average remaining lease term of approximately 30 months. 26 On September 5, 2003, the Company acquired a \$15 million participating interest in a \$30 million junior mezzanine loan secured by, among other things, a pledge of the ownership interest of an entity which owns the ground leasehold estate under a 1.1 million square foot Class A office complex located on Long Island, New York. The loan matures on September 9, 2005 and the borrower has the right to extend the loan for three additional one year periods. The loan is comprised of three tranches based upon priority: a \$14 million A tranche, a \$14 million B tranche and a \$2 million C tranche. The Company acquired a 25% interest in the A tranche, a 75% interest in the B tranche and a 50% interest in the C tranche. Interest is payable on the tranches at 9.5%, 12.5% and 12.5%, respectively, over the greater of one month LIBOR or 1.63%. As a result, the minimum weighted average interest rate accruing to the Company is 13.43%. In addition, as part of the Company's participation it received a 1% origination fee amounting to \$150,000. Such fee is being recognized over a three year period. The Company holds a \$17.0 million interest in a note receivable which bears interest at 12% 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, NY (the "Omni Note"). The Company currently owns a 60% majority partnership interest in Omni Partnership, 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. As of September 30, 2003, the Company held three other notes receivable aggregating \$36.5 million bearing interest at rates ranging from 10.5% to 12% per annum. On October 27, 2003, the Company was repaid in full on one of these notes totaling \$20 million and issued a \$5 million note receivable to the same minority partner under terms similar to the repaid note. These notes are secured in part by a minority partner's preferred unit interest in the Operating Partnership, certain interest in real property and a personal guarantee (the "Other Notes" and collectively with the Omni Note, the "Note Receivable Investments"). Management has made subjective assessments as to the underlying security value on the Company's Note Receivable Investments. These assessments indicated an excess of market value over carrying value related to 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 \$101.4 million mortgage note 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, a director of HQ Global Workplaces, is a partner in JAH Realities, L.P. As of September 30, 2003, the 520JV had total assets of \$19.8 million, a mortgage note payable of \$12.1 million and other liabilities of \$135,000. The Company's allocable share of the 520JV mortgage note payable is approximately \$8.0 million. This mortgage note payable bears interest at 8.85% per annum and matures on September 1, 2005. During the second quarter of 2003, HQ Global Workplaces, a tenant of the 520JV surrendered approximately one-third of its premises. As a result, the 520JV incurred a write-off of \$633,000 relating to its deferred rents receivable and incurred a net loss of approximately \$181,000 for the nine months ended September 30, 2003. 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. In accordance with the equity method of accounting the Company's proportionate share of the 520JV income (loss) was approximately \$134,000 and \$(30,000) for the three and nine months ended September 30, 2003, respectively. In connection with the IPO, the Company was granted ten year options to acquire ten properties (the "Option Properties") which were either owned by certain Rechler family members who were also executive officers of the Company, or in which the Rechler family members owned 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. In connection with the Company's disposition of the Long Island industrial portfolio, four of the five remaining options (the "Remaining Option Properties") granted to the Company at the time of the IPO to purchase interests in properties owned by Rechler family members were terminated. In return the Company received an aggregate payment from the Rechler family members of \$972,000. Rechler family members have also agreed to extend the term of the remaining option on the property located at 225 Broadhollow Road, Melville, New York (the Company's current headquarters) for five years and to release the Company from approximately 15,500 square feet under its lease at this property. In connection with the restructuring of the remaining option the Rechler family members paid Reckson \$1 million in return for Reckson's agreement not to exercise the option during the next three years. As part of the agreement, the exercise price of the option payable by Reckson was increased by \$1 million. As part of the Company's REIT structure it is provided management, leasing and construction related services through taxable REIT subsidiaries as defined by the 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% interests 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 27 contributed 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 the nine months ended September 30, 2003, Reckson Construction Group, Inc. billed approximately \$317,000 of market rate services and Reckson Management Group, Inc. billed approximately \$207,000 of market rate management fees to the Remaining Option Properties. In addition, for the nine months ended September 30, 2003, Reckson Construction Group, Inc. performed market rate services, aggregating approximately \$178,500, for a property in which certain executive officers of the Company maintain an equity interest. Reckson Management Group, Inc. leases approximately 28,200 square feet of office and storage space at a Remaining Option Property located at 225 Broad Hollow Road, Melville, New York for its corporate offices at an annual base rent of approximately \$653,000. The Company has also entered into a short term license agreement at the property for 6,000 square feet expiring in January 2004. Reckson Management Group, Inc. also leases 10,722 square feet of warehouse space used

for equipment, materials and inventory storage at a property owned by certain members of the Rechler family 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 \$447,000. Reckson Strategic Venture Partners, LLC ("RSVP") leased 5,144 square feet in one of the Company's joint venture properties at an annual base rent of approximately \$176,000. On June 15, 2003, this lease was mutually terminated and RSVP vacated the premises. 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. 28 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. In August 2003, the Company acquired TIAA's 49% interest in the property located at 275 Broadhollow Road, Melville, NY, for approximately \$12.4 million. As a result, the Tri-State JV owns eight Class A suburban office properties aggregating approximately 1.4 million square feet. 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. The total market capitalization of the Company at September 30, 2003 was approximately \$3.3 billion. The Company's total market capitalization is based on the sum of (i) the market value of the Company's Class A common stock and common units of limited partnership interest in the Operating Partnership ("OP Units") (assuming conversion) of \$23.11 per share/unit (based on the closing price of the Company's Class A common stock on September 30, 2003), (ii) the market value of the Company's Class B common stock of \$23.15 per share (based on the closing price of the Company's Class B common stock on September 30, 2003), (iii) the liquidation preference value of the Company's Series A preferred stock and Series B preferred stock of \$25 per share, (iv) the liquidation preference value of the Operating Partnership's preferred units of \$1,000 per unit and (v) the approximately \$1.5 billion (including its share of joint venture debt and net of minority partners' interests share of joint venture debt) of debt outstanding at September 30, 2003. As a result, the Company's total debt to total market capitalization ratio at September 30, 2003 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 invested primarily in real estate and real estate, operating companies outside the Company's core office and industrial / R&D focus and whose common equity is held indirectly by FrontLine. In connection with the formation and spin-off of FrontLine, the Operating Partnership established an unsecured credit facility with FrontLine (the "FrontLine Facility") in the amount of \$100 million for FrontLine to use in its investment activities, operations and other general corporate purposes. The Company has advanced approximately \$93.4 million under the FrontLine Facility. The Operating Partnership also approved the funding of investments of up to \$100 million relating to RSVP (the "RSVP Commitment"), through RSVP-controlled joint ventures (for REIT-qualified investments) or advances made to FrontLine under an unsecured loan facility (the "RSVP Facility") having terms similar to the FrontLine Facility (advances made under the RSVP Facility and the FrontLine Facility hereafter, the "FrontLine Loans"). During March 2001, the Company increased the RSVP Commitment to \$110 million and as of September 30, 2003, 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 September 30, 2003, interest accrued (net of reserves) under the FrontLine Facility and the RSVP Facility was approximately \$19.6 million. The following table sets forth the Company's original invested capital (at cost and 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):

Amounts joint ventures advanced	Total	Privatization	\$	\$	\$
21,480	3,520	25,000	Student Housing	18,086	3,935
22,021	20,185	20,185	Medical Offices	20,185	20,185
9,091	9,091	9,091	Parking	9,091	9,091
8,057	8,057	8,057	Resorts	8,057	8,057
3,180	3,180	3,180	Net leased retail	3,180	3,180
21,598	21,598	21,598	Other assets and overhead	21,598	21,598
59,751	49,381	109,132			

On July 1, 2003, the Company's aggregate invested capital (before valuation reserves) in RSVP controlled (REIT-qualified) joint ventures totaled approximately \$59.8 million and amounts which were advanced under the RSVP Commitment to FrontLine, for its investment in RSVP controlled investments totaled approximately \$49.4 million. In September 2003, RSVP completed the restructuring of its capital structure. In connection with the restructuring, RSVP redeemed the interest of the preferred equity holders of RSVP for an aggregate of \$137 million in cash and the transfer to the preferred equity holders of the assets that comprised RSVP's parking investments valued at approximately \$28.5 million. As a result of this transaction amounts formerly invested in the privatization, parking and medical office platforms have been reinvested as part of the buyout transaction. At June 30, 2001, the Company assessed the recoverability of the FrontLine Loans and reserved approximately \$3.5 million of the interest accrued during the three-month period then ended. In addition, the Company formed a committee of its Board of Directors, comprised solely of independent directors, to consider any actions to be taken by the Company in connection with the FrontLine Loans and its investments in joint ventures with RSVP. During the third quarter of 2001, the Company noted a significant deterioration in FrontLine's operations and financial condition and, based on its assessment of value and recoverability and considering the findings and recommendations of the committee and its financial advisor, the Company recorded a \$163 million valuation reserve charge, inclusive of anticipated costs, in its consolidated statements of operations relating to its investments in the FrontLine Loans and joint ventures with RSVP. The Company has discontinued the accrual of interest income with respect to the FrontLine Loans. The Company has also reserved against its share of GAAP equity in earnings from the RSVP controlled joint ventures funded through the RSVP Commitment until such income is realized through cash distributions. At December 31, 2001, the Company, pursuant to Section 166 of the 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 United States Bankruptcy Code. RSVP also restructured its management arrangements whereby a management company formed by its former managing directors has been retained to manage RSVP pursuant to a management agreement and the employment contracts of the managing directors with RSVP have been terminated. The management agreement provides for an annual base management fee, and disposition fees equal to 2% of the net proceeds received by RSVP on asset sales. (The base management fee and disposition fees are subject to a maximum over the term of the agreement of \$7.5 million.) In addition, the managing directors retained a one-third residual interest in RSVP's assets which is subordinated to the distribution of an aggregate amount of \$75 million to RSVP and/or the Company in respect of its joint ventures with RSVP. The management agreement has a three-year term, subject to early termination in the event of the disposition of all of the assets of RSVP. In connection with the restructuring, RSVP and certain of its affiliates obtained a \$60 million secured loan. In connection with this loan, the Operating Partnership agreed to indemnify the lender in respect of any environmental liabilities incurred with regard to RSVP's remaining assets in which the Operating Partnership has a joint venture interest (primarily certain student housing assets held by RSVP) and guaranteed the obligation of an affiliate of RSVP to the lender in an amount up to \$6 million plus collection costs for any losses incurred by the lender as a result of certain acts of malfeasance on the part of RSVP and/or its affiliates. The loan is scheduled to mature in 2006 and is expected to be repaid from proceeds of assets sales by RSVP. 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 September 30, 2003. Such amount has been reflected in investments in service companies and affiliate loans and joint ventures on the Company's consolidated balance sheet. 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 and is its sole board member. Scott

H. Rechler also serves as a member of the management committee of RSVP.

30 RESULTS OF OPERATIONS Three months ended September 30, 2003 as compared to the three months ended September 30, 2002: Property operating revenues which include base rents and tenant escalations and reimbursements ("Property Operating Revenues") decreased by approximately \$3.0 million for the three months ended September 30, 2003 as compared to the 2002 period. The change in Property Operating Revenues is attributable to a weighted average decrease in property occupancy rates in certain "same store" properties amounting to approximately \$3.3 million, a decrease in straight-line rental income of approximately \$1.5 million in certain of our "same store" properties, a decrease in termination fees of approximately \$3.0 million and approximately \$600,000 related to properties sold in 2002. These decreases were offset by built-in rent increases and escalation increases in certain of our property leases of approximately \$5.5 million. Investment and other income increased by \$4.3 million. This increase is primarily attributable to the gain recognized on the First Data land sale and build-to-suit construction contract of approximately \$3.3 million. Property operating expenses, real estate taxes and ground rents ("Property Expenses") increased by \$4.1 million or 9.6% for the three months ended September 30, 2003 as compared to the 2002 period. This increase includes a \$1.5 million increase in property operating expenses and a \$2.6 million increase in real estate taxes. Included in the \$1.5 million of property operating expense increase is \$275,000 attributable to increases in insurance costs. The insurance cost increase is primarily attributable to generally higher cost for insurance in the marketplace particularly liability insurance costs. Recently, we have seen their costs moderate and expect to see reduced costs to take effect in future periods. The increase in real estate taxes are attributable to the significant increase levied by certain municipalities, particularly in New York City and Nassau County, New York which are experiencing severe fiscal budget issues. Also included in the property operating expense increase is approximately \$240,000 of increased utility costs which was primarily attributable to energy rate increases. Gross Operating Margins (defined as Property Operating Revenues less Property Expenses, taken as a percentage of Property Operating Revenues) for the three months ended September 30, 2003 and 2002 were 57.7% and 62.4%, respectively. The decrease in Gross Operating Margins is primarily attributable to decreases in average occupancy of the portfolio and also as a result of increased Property Expenses specifically relating to insurance costs, real estate taxes and utilities. Marketing, general and administrative expenses increased by approximately \$837,000 for the three months ended September 30, 2003 as compared to the 2002 period. The increase is in part attributable to increased compensation costs including compensation costs associated with the Company's long term incentive programs which commenced in March 2003 and amounted to approximately \$447,000 for the three months ended September 30, 2003. The Company also incurred an increase of property related marketing costs to lease space which amounted to approximately \$83,000 and increased costs related to director fees of \$107,000. Marketing, general and administrative expenses, as a percentage of total revenues were, 7.0% for the three months ended September 30, 2003 as compared to 6.3% for the 2002 period. The Company capitalized approximately \$1.1 million of marketing, general and administrative expenses for each of the three-month periods ended September 30, 2003 and 2002. These costs relate to leasing, construction and development activities, which are performed by the Company and its subsidiaries.

Nine months ended September 30, 2003 as compared to the nine months ended September 30, 2002: Property Operating Revenues decreased by approximately \$2.9 million for the nine months ended September 30, 2003 as compared to the 2002 period. The change in Property Operating Revenues is attributable to built-in rent increases and escalation increases in certain of our leases of approximately \$8.6 million and \$6.0 million attributable to lease up of newly developed and redeveloped properties. These increases were offset by approximately 11.7 million related to decreases in certain property occupancy rates and, decreases in rental rates. Investment and other income increased by \$12.9 million. This increase is primarily attributable to the gain recognized on the First Data land sale and build-to-suit construction contract of approximately \$13.4 million. This increase in investment and other income was offset by decreases in income generated by the Service Companies.

31 Property Operating Expenses increased by \$14.2 million or 11.8% for the nine months ended September 30, 2003 as compared to the 2002 period. This increase includes a \$8.2 million increase in property operating expenses and a \$6.0 million increase in real estate taxes. Included in the \$8.2 million of property operating expense increase is \$2.7 million attributable to increases in insurance costs. The insurance cost increase is primarily attributable to the added cost of terrorism insurance for our properties and a significant increase in our liability insurance costs. The increase in insurance costs were caused by implications of the events which occurred on September 11, 2001. Recently, we have seen insurance costs particularly related to terrorism risk begin to moderate. We expect to see reduced costs in future periods. The increase in real estate taxes are attributable to the significant increase levied by certain municipalities,

particularly in New York City and Nassau County, New York which are experiencing severe fiscal budget issues. Also included in the property operating expense increase is approximately \$3.6 million of increased utility and snow removal costs which resulted in part to rate increases and continued inclement weather in Northeast during the Spring months. To a lesser extent, cleaning costs increased by approximately \$803,000 due to inflationary/contractual increases and property related marketing costs increased by approximately \$417,000 resulting from a decrease in overall occupancy. Gross Operating Margins (defined as Property Operating Revenues less Property Expenses, taken as a percentage of Property Operating Revenues) for the nine months ended September 30, 2003 and 2002 were 59.5% and 64.1%, respectively. The decrease in Gross Operating Margins is primarily attributable to decreases in average occupancy of the portfolio and also as a result of increased Property Expenses specifically relating to insurance costs, real estate taxes and utilities and snow removal costs. Marketing, general and administrative expenses increased by approximately \$3.8 million for the nine months ended September 30, 2003 as compared to the 2002 period. The increase is in part attributable to increased compensation costs including compensation costs associated with the Company's long term incentive programs which commenced in March 2003 and amounted to approximately \$2.3 million for the nine months ended September 30, 2003. In addition, the Company incurred increased costs, over the comparable 2002 period, of approximately \$500,000 related to abandoned acquisition and disposition transactions and approximately \$400,000 related to director and officer's insurance and director fees. Marketing, general and administrative expenses, as a percentage of total revenues were, 7.0% for the nine months ended September 30, 2003 as compared to 6.1% for the 2002 period. The Company capitalized approximately \$3.5 million of marketing, general and administrative expenses for the nine months ended September 30, 2003 as compared to \$3.6 million for the 2002 period. These costs relate to leasing, construction and development activities, which are performed by the Company and its subsidiaries. Interest expense increased by approximately \$1.3 million for the nine months ended September 30, 2003 as compared to the 2002 period. The increase includes \$1.4 million of interest on the Operating Partnership's \$50 million, five-year senior unsecured notes issued on June 17, 2002. The increase is also affected by the reduction in capitalized interest expense of \$547,000 attributable to a decrease in the level of development projects. In addition, the increase includes approximately \$1.3 million which is attributable to an increase in the weighted average balance outstanding on the Company's unsecured credit facility. The weighted average balance outstanding was \$319.7 million for the nine months ended September 30, 2003 as compared to \$213.6 million for the nine months ended September 30, 2002. These increases were offset by a decrease of approximately \$657,000 in mortgage note payable interest expense and an increase of approximately \$1.3 million of corporate interest expense allocated to discontinued operations.

32 LIQUIDITY AND CAPITAL RESOURCES Historically, rental revenue has been the principal source of funds to pay operating expenses, debt service and non-incremental capital expenditures, excluding incremental 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 its unsecured credit facility described below. 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 that result from the re-tenanting of scheduled expirations or early terminations of leases. The Company is currently experiencing high tenanting costs including tenant improvement costs, leasing commissions and free rent in all of its markets. For the three and nine month periods ended September 30, 2003, the Company paid \$12.0 million and \$40.1 million, respectively for tenanting costs including tenant improvement costs and leasing commissions. This compares to \$12.8 million and \$31.0 million paid for the comparable periods ended September, 30, 2002, respectively. As a result of these and/or other operating factors the Company's cash flow from operating activities may not be sufficient to pay 100% of the quarterly dividends payable 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 periodically reviews its dividend policy to determine the appropriateness of the Company's dividend rate relative to the Company's cash flows. The Company adjusts its dividend rate based on forecasted increases and decreases in its cash flow as well as required distributions of taxable income to maintain REIT status. There can be no assurance that the Company will maintain the current quarterly distribution level on the Class A common stock. 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 land inventory 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, senior unsecured notes or indebtedness under its 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, equity offerings and proceeds from sales of land, will be adequate to meet the capital and liquidity requirements of the Company in both the short and long-term. The Company's senior debt is currently rated "Ba1" by Moody's and "BBB-" by Standard & Poor's. The rating agencies review the ratings assigned to an issuer such as the Company on an ongoing basis. Negative changes in the Company's ratings would result in increases in the Company's borrowing costs, including borrowings under the Company's unsecured credit facility. 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 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 rentals. 33 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. 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. As of September 30, 2003, borrowings under the Credit Facility were priced off LIBOR plus 90 basis points and the Credit Facility carried 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 (see "Recent Developments"). The outstanding borrowings under the Credit Facility were \$374 million at September 30, 2003. 34 The Company utilizes the Credit Facility primarily to finance real estate investments, fund its real estate development activities and for working capital

purposes. At September 30, 2003, the Company had availability under the Credit Facility to borrow approximately an additional \$126 million, subject to compliance with certain financial covenants. The Company continues to seek opportunities to acquire real estate assets in its markets. The Company has historically sought to acquire properties where it could use its real estate expertise to create additional value subsequent to acquisition. As a result of increased market values for the Company's commercial real estate assets, the Company has sold certain non-core assets or interests in assets where significant value has been created. During 2000, 2001 and 2002, the Company has sold assets or interests in assets with aggregate sales prices of approximately \$499.8 million. The Company has used the proceeds from these sales primarily to pay down borrowings under the Credit Facility, repurchase its outstanding stock and for general corporate purposes. In addition, during the quarterly period ended March 31, 2003, the Company through Reckson Construction Group, Inc. entered into a sale of a 19.3 acre land parcel and build-to-suit 195,000 square foot office building for aggregate consideration of approximately \$47.0 million. On September 30, 2003, 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 Class B common stock currently receives an annual dividend of \$2.5884 per share and are exchangeable at any time, at the option of the holder, into an equal number of shares of Class A common stock, subject to customary antidilution adjustments. The Company, at its option, may redeem any or all of the Class B common stock in exchange for an equal number of shares of the Company's Class A common stock at any time following November 23, 2003. On October 24, 2003, the Company gave notice to its Class B common stockholders that it will exercise its option to exchange all of its Class B common stock outstanding on November 25, 2003 for an equal number of shares of Class A common stock. The Board of Directors has declared a final cash dividend on the Company's Class B common stock to holders of record on November 25, 2003 in the amount of \$.1758 per share, payable on January 12, 2004. This payment will cover the period from November 1, 2003 through November 25, 2003 and is based on the current quarterly Class B common stock dividend rate of \$.6471 per share. In order to align the regular quarterly dividend payment schedule of the former holders of Class B common stock with the schedule of the holders of Class A common stock for periods subsequent to the exchange date for the Class B common stock, the Board of Directors has also declared a cash dividend with regard to the Class A common stock to holders of record on October 14, 2003 in the amount of \$.2585 per share, payable on January 12, 2004. This payment will cover the period from October 1, 2003 through November 25, 2003 and is based on the current quarterly Class A common stock dividend rate of \$.4246 per share. As a result, the Company will have declared dividends through November 25, 2003 to all holders of Class A common stock and Class B common stock. The Board of Directors has also declared the Class A common stock cash dividend for the portion of the fourth quarter subsequent to November 25, 2003. The holders of record of Class A common stock on January 2, 2004, giving effect to the exchange transaction, will receive a Class A common stock dividend in the amount of \$.1661 per share, payable on January 12, 2004. This payment will cover the period from November 26, 2003 through December 31, 2003 and is based on the current quarterly Class A common stock dividend rate of \$.4246 per share. 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. 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. During the nine months ended September 30, 2003, under this buy-back program, the Company purchased 252,000 shares of Class A common stock at an average price of \$18.01 per Class A share for an aggregate purchase price of approximately \$4.5 million. The following table sets forth the Company's historical activity under its current common stock buy-back program (dollars in thousands except per share data):

SHARES	AVERAGE PURCHASE PRICE	AGGREGATE PURCHASE PRICE	PER SHARE PURCHASE PRICE
2,950,400	\$ 21.30	\$ 62,830	Class B Common
368,200	\$ 22.90	8,432	Current program: Class A common
3,318,600	\$ 71,262		

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 ===== 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 September 30, 2003, 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 any time into the Company's Class A common stock at a price of \$28.51 per share. During the fourth quarter of 2002, the Company purchased and retired 357,500 shares of its Class A preferred stock at \$22.29 per share for approximately

\$8.0 million. 35 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 June 3, 2003 to and including June 2, 2004, at \$25.50 per share and (ii) on or after June 3, 2004 and thereafter, at \$25.00 per share. In addition, the Series B preferred stock, at the option of the holder, is convertible at any time 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. On August 7, 2003, in conjunction with the Company's acquisition of a Class A office property located in Stamford, Connecticut it issued 465,845 Class C common units of limited partnership interest. The Class C common units will receive an initial annual distribution of \$1.87 per unit, which amount will increase or decrease pro-rata based upon changes in the dividend paid on the Company's Class A common stock. On October 17, 2003, the Company paid a distribution on the Class C common units of approximately \$130,000 for the period from August 7, 2003 through September 30, 2003. Effective January 1, 2002 the Company has elected to follow FASB Statement No. 123, "Accounting for Stock Based Compensation". 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. During the three and nine months ended September 30, 2003, the Company recorded approximately \$1,332 and \$4,000, respectively of expense related to the fair value of stock options issued. Such amounts have been included in marketing, general and administrative expenses in the Company's consolidated statements of income. The Company's indebtedness at September 30, 2003 totaled approximately \$1.5 billion (including its share of joint venture debt and net of minority partners' interests share of joint venture debt) and was comprised of \$374 million outstanding under the Credit Facility, approximately \$499.4 million of senior unsecured notes and approximately \$597.9 million of mortgage indebtedness. Based on the Company's total market capitalization of approximately \$3.3 billion at September 30, 2003 (calculated based on the sum of (i) the market value of the Company's Class A common stock and OP Units, assuming conversion, (ii) the market value of the Company's Class B common stock, (iii) the liquidation preference value of the Company's preferred stock, (iv) the liquidation preference value of the Operating Partnership's preferred units and (v) the \$1.5 billion of debt), the Company's debt represented approximately 44.9% of its total market capitalization. HQ Global Workplaces, Inc. ("HQ"), one of the largest providers of flexible officing solutions in the world and which was formerly controlled by FrontLine, previously operated eleven executive office centers comprising approximately 205,000 square feet at the Company's properties, including two operated at the Company's joint venture properties. 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 and subsequently rejected three of its leases with the Company and surrendered approximately an additional 20,500 square feet from two other leases. The Company has since re-leased 100% of the rejected space. In September 2003, the Bankruptcy Court approved the assumption and amendment by HQ of its remaining eight leases with the Company. The assumed leases expire between 2007 and 2011, encompass approximately 150,000 square feet and provide for current annual base rents totaling approximately \$3.5 million. A committee designated by the Board and chaired by an independent director conducted all negotiations with HQ. WorldCom/MCI and its affiliates ("WorldCom"), a telecommunications company, which leased 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 Bankruptcy Court granted WorldCom's petition to reject four of its leases with the Company. The four rejected leases aggregated approximately 282,000 square feet and were to provide for contractual base rents of approximately \$7.2 million for the 2003 calendar year. The Company has agreed to restructure five of the remaining leases. Pursuant to WorldCom's Plan of Reorganization which has been confirmed by the Bankruptcy Court, WorldCom must assume or reject the remaining leases prior to the effective date of the Plan. The effective date of the Plan is estimated to occur during the first quarter of 2004. All of WorldCom's leases are current on base rental charges through November 30, 2003, other than under the four rejected leases and the Company currently holds approximately \$195,000 in security deposits relating to the non-rejected 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 of September 30, 2003, WorldCom occupied approximately 245,000 square feet of office space with aggregate annual base rental revenues of approximately \$4.1 million, or 1.1% of the Company's total 2003 annualized rental revenue based on base rental revenue earned on a consolidated basis. 36 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 September 30, 2003 (in thousands): MATURITY DATE

	2003	2004	2005	2006	2007	THEREAFTER
TOTAL	\$ 14,167	\$ 13,785	\$ 11,305	\$ 117,390	\$ 173,183	\$ 3,367 \$ 13,169 \$
Mortgage notes payable (1)						2,616 18,553 129,920 60,539
Mortgage notes payable (2) (3)						100,000 -- -- 200,000 200,000 500,000
Senior unsecured notes						374,000 -- -- -- 374,000
Land lease obligations	848	3,425	3,429	3,410	3,350	94,286 108,748
Operating leases	350	1,313	1,359	1,407	1,455	683 6,567
Air rights lease obligations	95	379	379	379	379	4,280 5,891
	\$ 4,660	\$ 120,902	\$ 411,887	\$ 148,901	\$ 277,028	\$ 762,908 \$1,726,286

===== (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 share of the mortgage debt at September 30, 2003 is approximately \$8.0 million. This mortgage note bears interest at 8.85% per annum and matures on September 1, 2005 at which time the Company's share of the mortgage debt will be approximately \$6.9 million Certain of the mortgage notes payable are guaranteed by certain limited partners in the Operating Partnership and/or the Company. In addition, consistent with customary practices in non-recourse lending, certain non-recourse mortgages may be recourse to the Company under certain limited circumstances including environmental issues and breaches of material representations. In addition, at September 30, 2003, the Company had approximately \$950,000 in outstanding undrawn standby letters of credit issued under the Credit Facility. In addition, approximately \$44.3 million, or 6.1%, of the Company's mortgage debt is recourse to the Company. Recent Developments On September 10, 2003, the Company announced that it had entered into agreements relating to the disposition of its Long Island industrial building portfolio (the "Disposition") to members of the Rechler family for approximately \$315.5 million in cash and other consideration. The transactions contemplated by the agreements were consummated on November 10 and November 12, 2003. As a result, the Company has disposed of all but three of its 95 property, 5.9 million square foot, Long Island industrial building portfolio for approximately \$225.1 million in cash and debt assumption and 3,932,111 OP Units valued at approximately \$90.4 million. Approximately \$210 million of cash sales proceeds from the Disposition were used to repay the Credit Facility. The remaining three properties, two of which are subject to transfer pursuant to Section 1031 of the Code, are anticipated to close within three to six months. In addition, four of the five remaining options granted to the Company at the time of its IPO to purchase interests in properties owned by Rechler family members (including three properties in which the Rechler family members hold non-controlling interests and one industrial property) were terminated along with the Company's management contracts relating to three of such properties. In return the Company received an aggregate payment from the Rechler family members of \$972,000. Rechler family members also extended the term of the remaining option on the property located at 225 Broadhollow Road, Melville, New York (the Company's current headquarters) for five years and released the Company from approximately 16,000 square feet under its lease at this property. In connection with the restructuring of the remaining option the Rechler family members paid the Company \$1 million in return for the Company's agreement not to exercise the option during the next three years. As part of the agreement, the exercise price of the option payable by the Company was increased by \$1 million. In addition, as part of the transaction, the Rechler family entity was granted rights of first refusal with respect to five vacant land parcels located near the industrial properties for a period of five years. In connection with the closing, each of Donald Rechler, Roger Rechler, Gregg Rechler and Mitchell Rechler resigned as an officer of the Company. Mr. Donald Rechler remains a member of the Board of Directors of the Company. In settlement of their employment agreements, these four executives received accelerated vesting of certain equity based awards and an assignment of certain loans owed to the Company. Additionally, these exiting executives have agreed to provide two-year commitments to assist the Company in the transition and entered into specified non-compete arrangements. In addition, the Company also announced certain other management changes and corporate governance enhancements. The reconstituted Board consists of six independent directors and Messers

Scott and Donald Rechler. The Company has filled the executive positions vacated by the departing Rechler family members by promoting from within. 37 In conjunction with this transaction, the Company is also proposing to de-stagger its Board of Directors at its next Annual Shareholders Meeting, to opt out of state anti-takeover provisions and to authorize modification of the ownership limit currently in its charter relating to the "five or fewer rule." For information concerning certain litigation matters pertaining to this transaction see Part II-Other Information; Item 1. Legal Proceedings of this Form 10-Q. The description of the Disposition contained in the Company's current reports on Form 8-K filed with the Securities and Exchange Commission on September 18, 2003, October 1, 2003 and October 22, 2003 are incorporated herein by reference. The information in this quarterly report on Form 10-Q supplements and amends the information contained in those previously filed current reports. The Company is also under contract to sell a 181,000 square foot office property located on Long Island for approximately \$24.4 million and is scheduled to close during the fourth quarter. Net proceeds from the sale are anticipated to be used to repay the Credit Facility. In accordance with the provisions of FASB Statement No. 144, the Company has separately identified and classified the assets and liabilities of the aforementioned 95 industrial properties and the office property located on Long Island on its consolidated balance sheets as held for sale. In addition, income from the operations of these properties has been reflected on the Company's consolidated statements of income as income from discontinued operations. On November 10, 2003, in connection with the Company's sale of its Long Island industrial building portfolio and the settlement of the employment contracts of the departing Rechler family members, the Company incurred the following restructuring charges: (i) approximately \$7.5 million related to outstanding stock loans under the Company's historical LTIP program were transferred to the purchaser and approximately \$575,000 of loans related to life insurance contracts were extinguished, (ii) approximately \$2.9 million paid to the departing Rechler family members in exchange for 127,689, or 100%, of their 2002 Rights and their 2003 Rights were forfeited in their entirety and (iii) with respect to two of the departing Rechler family members participating in the Company's March 2003 LTIP, each received 8,681 shares of the Company's Class A common stock related to the service component of their core award which was valued at \$399,000 in the aggregate. In addition, if the Company attains its annual performance measure in March 2004, these individuals will also be entitled to each receive 26,041 shares of Class A common stock representing the balance of the annual core award as if they had remained in continuous employment with the Company. The remainder of their core awards, aggregating 208,334 shares of Class A common stock, was forfeited. On November 10, 2003, the Company entered into a contract to acquire 1185 Avenue of the Americas, a 42-story, 1.1 million square foot Class A office tower, located between 46th and 47th Streets in New York City for \$321 million. The building is presently encumbered by a \$202 million mortgage and \$48 million of mezzanine debt that the Company would assume at closing. The balance of the purchase price would be paid through an advance under the Credit Facility. The floating rate mortgage and mezzanine debt both mature in August 2004 and presently have a weighted average interest rate of 4.95%. The property is also encumbered by a ground lease which has a remaining term of approximately 40 years with rent scheduled to be re-set at the end of 2005 and then remain constant for the balance of the term. The closing is subject to customary consents and conditions. There can be no assurances that this transaction will be consummated. As of September 30, 2003, the Credit Facility carried a facility fee of 20 basis points per annum and outstanding borrowings were priced off LIBOR plus 90 basis points. On November 12, 2003, as a result of one of the Operating Partnership's rating agencies changing the Operating Partnership's unsecured credit rating, the facility fee was increased to 30 basis points and the interest rate on outstanding borrowings was re-set to LIBOR plus 120 basis points. Based on current outstanding borrowings under the Credit Facility and giving effect to repayments under the Credit Facility as part of the Long Island industrial building portfolio sale, the change in the Operating Partnership's unsecured credit rating will increase interest expense by approximately \$1.1 million per annum. In the event the Operating Partnership re-establishes its previous unsecured credit rating the interest rates and facility fee will be re-set to their previous levels. Other Matters Seven 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. These limitations expire between 2007 and 2013. Nine 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. On May 29, 2003,

the Board of Directors appointed Mr. Peter Quick as Lead Director and Chairman of the Nominating/Governance Committee. The Nominating/Governance Committee as well as the Audit Committee and Compensation Committee are comprised solely of independent directors. In addition, in May 2003, the Company revised its policy with respect to compensation of its independent directors to provide that a substantial portion of the independent director's compensation shall be in the form of Class A common stock of the Company. Such common stock may not be sold until such time as the director is no longer a member of the Company's Board. 38 The Company had 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 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 \$3.3 million of compensation expense was recorded for each of the nine month periods ended September 30, 2003 and 2002, respectively, related to these LTIP. Such amounts have been included in marketing, general and administrative expenses on the Company's consolidated statements of income. The outstanding stock loan balances due from executive and senior officers aggregated approximately \$13.0 million and \$17.0 million at September 30, 2003 and December 31, 2002, respectively, and have been included as a reduction of additional paid in capital on the Company's consolidated balance sheets. Other outstanding loans to executive and senior officers at September 30, 2003 amounted to approximately \$1.0 million related to life insurance contracts and approximately \$2.0 million primarily related to tax payment advances on stock compensation awards made to certain non-executive officers. In November 2002 and March 2003 an award of rights was granted to certain executive officers of the Company (the "2002 Rights" and "2003 Rights", respectively and collectively, the "Rights"). Each Right represents the right to receive, upon vesting, one share of Class A common stock if shares are then available for grant under one of the Company's stock option plans or, if shares are not so available, an amount of cash equivalent to the value of such stock on the vesting date. The 2002 Rights will vest in four equal annual installments beginning on November 14, 2003 (and shall be fully vested on November 14, 2006). The 2003 Rights will be earned as of March 13, 2005 and will vest in three equal annual installments beginning on March 13, 2005 (and shall be fully vested on March 13, 2007). Dividends on the shares will be held by the Company until such shares become vested, and will be distributed thereafter to the applicable officer. The 2002 Rights also entitle the holder thereof to cash payments in respect of taxes payable by the holder resulting from the Rights. The 2002 Rights aggregate 190,524 shares of the Company's Class A common stock and the 2003 Rights aggregate 60,760 shares of Class A common stock. During the three and nine months ended September 30, 2003, the Company recorded approximately \$228,000 and \$653,000 of compensation expense, respectively, related to the Rights. Such amounts have been included in marketing, general and administrative expenses on the Company's consolidated statements of income. In March 2003, the Company established a new LTIP for its executive and senior officers. The four-year plan has a core award which provides for annual stock based compensation based upon continued service and in part based on attaining certain annual performance measures. The plan also has a special outperformance award 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 outperformance award 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. On March 13, 2003, the Company made available 1,384,102 shares of its Class A common stock under its existing stock option plans in connection with the core award of this LTIP for twelve of its executive and senior officers. During May 2003, two of the Company's executive officers waived these awards under this LTIP in their entirety, which aggregated 277,778 shares or 20% of the core awards granted. In addition, the special outperformance awards of the LTIP were amended to increase the per share base price above which the four year cumulative return is measured from \$18.00 to \$22.40. With respect to the core award of this LTIP, the Company recorded approximately \$403,000 and \$2.0 million of compensation expense for the three and nine months ended September 30, 2003, respectively. Such amounts have been included in marketing, general and administrative expenses on the Company's

consolidated statements of income. Further, no provision will be made for the special outperformance award of this LTIP until such time as achieving the requisite performance measures is determined to be probable. 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. 39 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, the predecessor to the Company, 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.

FUNDS FROM OPERATIONS The Company believes that Funds from Operations ("FFO") is a widely recognized and appropriate measure of performance of an equity REIT. Although FFO is a non-GAAP financial measure, the Company believes it provides useful information to shareholders, potential investors and management. The Company computes FFO in accordance with the standards established by the National Association of Real Estate Investment Trusts ("NAREIT"). FFO is defined by NAREIT as net income or loss, excluding gains or losses from sales of depreciable properties plus real estate 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. FFO for the three and nine month periods ended September 30, 2003 includes a gain from the sale of land in the amount of \$867,000 and \$8.5 million, respectively. Since all companies and analysts do not calculate FFO in a similar fashion, the Company's calculation of FFO presented herein may not be comparable to similarly titled measures as reported by other companies. The following table presents the Company's FFO calculation (unaudited and in thousands):

	THREE MONTHS ENDED	NINE MONTHS ENDED	SEPTEMBER 30,	SEPTEMBER 30,	-----
	2003	2002	2003	2002	-----
Net income allocable to common shareholders	\$ 10,009	\$ 16,134	\$ 26,257	\$ 45,921	
Adjustments for basic funds from operations: Add: Limited partners' minority interest in the operating partnership	1,202	1,941	3,072	5,538	
Real estate depreciation and amortization	27,465	28,208	87,919	80,570	
Minority partners' interests in consolidated partnerships	4,379	4,446	13,404	14,379	
Less: Gain on sales of depreciable real estate assets	--	4,896	--	5,433	
Amounts distributable to minority partners in consolidated partnerships	6,339	6,050			
Basic Funds From Operations ("FFO")	19,914	18,943			36,716
Add: Dividends and distributions on dilutive shares and units	39,783	110,738	122,032		4,485
Diluted FFO	17,476				5,761
					13,452
Weighted average common shares outstanding	\$ 139,508				\$ 41,201
					\$ 45,544
					\$ 124,190
Weighted average units of limited partnership interest outstanding	57,924	59,535	57,985	60,294	
Basic weighted average common shares and units outstanding	7,554	7,276	7,370	7,427	

..... 65,478 66,811 65,355 67,721 Adjustments for dilutive FFO weighted average shares and units outstanding:
 Add: Weighted average common stock equivalents 170 300 136 342 Weighted average shares of
 Series A Preferred Stock 7,747 8,060 7,747 8,060 Weighted average shares of Series B Preferred Stock
 -- 1,919 -- 1,919 Weighted average shares of preferred limited partnership interest 661 661 661 770 -----
 ----- Dilutive FFO weighted average shares and units outstanding 74,056 77,751 73,899 78,812

===== 40 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 / R&D 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. 41

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK. The primary market risk facing the Company is interest rate risk on its long term debt, mortgage notes and notes receivable. The Company will, when advantageous, hedge its interest rate risk using financial instruments. The Company is not subject to foreign currency risk. The Company manages its exposure to interest rate risk on its variable rate indebtedness by borrowing on a short-term basis under its Credit Facility until such time as it is able to retire the short-term variable rate debt with either a long-term fixed rate debt offering, long term mortgage debt, equity offerings or through sales or partial sales of assets. The Company will recognize all derivatives on the balance sheet at fair value. Derivatives that are not hedges will be adjusted to fair value through income. If a derivative is a hedge, depending on the nature of the hedge, changes in the fair value of the derivative will either be offset against the change in fair value of the hedged asset, liability, or firm commitment through earnings, or recognized in other comprehensive income until the hedged item is recognized in earnings. The ineffective portion of a derivative's change in fair value will be immediately recognized in earnings. As of September 30, 2003, the Company had no derivatives outstanding. 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 September 30, 2003 (dollars in thousands): For the Year Ended December 31, ----- 2003 2004 2005 2006 2007 Thereafter Total(1) FMV

----- Long term debt: Fixed rate..... \$ 3,367 \$ 115,785 \$ 32,720 \$ 143,705 \$ 271,844 \$ 663,659 \$1,231,080 \$1,251,768 Weighted average interest rate..... 7.47% 7.47% 6.92% 7.38% 7.14% 7.32% 7.29%

Variable rate..... \$ -- \$ -- \$ 374,000 \$ -- \$ -- \$ -- \$ 374,000 Weighted average interest rate..... -- --% 2.02% -- -- -- 2.02% (1) Includes aggregate unamortized issuance discounts of approximately \$591,000 on the senior unsecured notes issued during March 1999 and June 2002, which are due at maturity. In addition, a one percent increase in the LIBOR rate would have an approximate \$3.7 million annual increase in interest expense based on \$374 million of variable rate debt outstanding at September 30, 2003.

The following table sets forth the Company's mortgage notes and note receivables by scheduled maturity date, weighted average interest rates and estimated FMV at September 30, 2003 (dollars in thousands): For the Year Ended December 31, ----- 2003 2004 2005 2006 2007 Thereafter Total (1) FMV

----- Mortgage notes and notes receivable: Fixed rate \$ -- \$ 36,500 \$ -- \$ -- \$ -- \$ 16,990 \$ 53,490 \$ 54,510 Weighted average interest rate .. -- 11.32% -- -- -- 12.00% 11.54%

Variable rate \$ -- \$ -- \$ 15,000 \$ -- \$ -- \$ -- \$ 15,000 \$ 15,000 Weighted average interest rate .. -- -- 13.43% -- -- -- 13.43% -- (1) Excludes interest receivables aggregating approximately \$1.9 million dollars. 42

ITEM 4. CONTROLS AND PROCEDURES We maintain disclosure controls and procedures designed to ensure that information required to be disclosed in our filings under the Securities Exchange Act of 1934 is reported

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----- Long Island Office Properties
 Tenant Improvements \$1,009,357 \$2,853,706 \$2,722,457 \$ 1,917,466 \$2,125,747 \$ 3,274,369 \$ 2,350,515 \$ 923,854
 Per Square Foot Improved \$ 4.73 \$ 6.99 \$ 8.47 \$ 7.81 \$ 7.00 \$ 6.92 \$ 9.85 \$ 3.94 Leasing Commissions \$ 551,762
 \$2,208,604 \$1,444,412 \$ 1,026,970 \$1,307,937 \$ 2,359,435 \$ 1,880,400 \$ 479,035 Per Square Foot Leased \$ 2.59 \$
 4.96 \$ 4.49 \$ 4.18 \$ 4.06 \$ 4.98 \$ 7.88 \$ 2.04

----- Total Per Square Foot \$ 7.32 \$
 11.95 \$ 12.96 \$ 11.99 \$ 11.06 \$ 11.90 \$ 17.73 \$ 5.98

===== Westchester Office Properties Tenant Improvements \$1,316,611 \$1,860,027 \$2,584,728 \$ 6,391,589(1) \$3,038,239 \$
 1,156,389 \$ 1,025,325 \$ 131,064 Per Square Foot Improved \$ 5.62 \$ 5.72 \$ 5.91 \$ 15.05 \$ 8.08 \$ 11.27 \$ 16.15 \$
 3.35 Leasing Commissions \$ 457,730 \$ 412,226 \$1,263,012 \$ 1,975,850 \$1,027,204 \$ 276,630 \$ 237,294 \$ 39,336
 Per Square Foot Leased \$ 1.96 \$ 3.00 \$ 2.89 \$ 4.65 \$ 3.13 \$ 2.70 \$ 3.74 \$ 1.01

----- Total Per Square Foot \$ 7.58 \$
 8.72 \$ 8.80 \$ 19.70 \$ 11.21 \$ 13.97 \$ 19.89 \$ 4.36

===== Connecticut Office Properties Tenant Improvements \$ 179,043 \$ 385,531 \$ 213,909 \$ 491,435 \$ 317,480 \$ 504,422 \$
 476,988 \$ 27,434 Per Square Foot Improved \$ 4.88 \$ 4.19 \$ 1.46 \$ 3.81 \$ 3.58 \$ 9.38 \$ 16.51 \$ 1.10 Leasing
 Commissions \$ 110,252 \$ 453,435 \$ 209,322 \$ 307,023 \$ 270,008 \$ 423,758 \$ 262,465 \$ 161,293 Per Square Foot
 Leased \$ 3.00 \$ 4.92 \$ 1.43 \$ 2.38 \$ 2.93 \$ 7.88 \$ 9.09 \$ 6.48

----- Total Per Square Foot \$ 7.88 \$
 9.11 \$ 2.89 \$ 6.19 \$ 6.51 \$ 17.26 \$ 25.60 \$ 7.58

===== New Jersey Office Properties Tenant Improvements \$ 454,054 \$1,580,323 \$1,146,385 \$ 2,842,521 \$1,505,821 \$
 3,887,607 \$ 3,474,339 \$ 413,268 Per Square Foot Improved \$ 2.29 \$ 6.71 \$ 2.92 \$ 10.76 \$ 5.67 \$ 13.34 \$ 24.89 \$
 2.72 Leasing Commissions \$ 787,065 \$1,031,950 \$1,602,962 \$ 1,037,012 \$1,114,747 \$ 1,857,889 \$ 1,140,527 \$
 717,362 Per Square Foot Leased \$ 3.96 \$ 4.44 \$ 4.08 \$ 3.92 \$ 4.10 \$ 6.38 \$ 8.18 \$ 4.73

----- Total Per Square Foot \$ 6.25 \$
 11.15 \$ 7.00 \$ 14.68 \$ 9.77 \$ 19.72 \$ 33.07 \$ 7.45

===== New York City Office Properties Tenant Improvements N/A \$ 65,267 \$ 788,930 \$ 4,350,106 \$1,734,768 \$
 5,689,670(3) \$ 5,406,410 \$ 283,260 Per Square Foot Improved N/A \$ 1.79 \$ 15.69 \$ 18.39 \$ 11.96 \$ 34.48 \$ 45.53 \$
 6.12 Leasing Commissions N/A \$ 418,185 \$1,098,829 \$ 2,019,837 \$1,178,950 \$ 2,939,132(3) \$ 2,648,485 \$ 290,648
 Per Square Foot Leased N/A \$ 11.50 \$ 21.86 \$ 8.54 \$ 13.97 \$ 17.81 \$ 22.30 \$ 6.28

----- Total Per Square Foot N/A \$
 13.29 \$ 37.55 \$ 26.93 \$ 25.93 \$ 52.29 \$ 67.83 \$ 12.40

===== Industrial Properties Tenant Improvements \$ 375,646 \$ 650,216 \$1,366,488 \$ 1,850,812 \$1,060,791 \$ 1,249,200 \$
 998,972 \$ 250,228 Per Square Foot Improved \$ 0.25 \$ 0.95 \$ 1.65 \$ 1.97 \$ 1.20 \$ 2.42 \$ 3.25 \$ 1.19 Leasing
 Commissions \$ 835,108 \$ 436,506 \$ 354,572 \$ 890,688 \$ 629,218 \$ 574,256 \$ 500,654 \$ 73,602 Per Square Foot
 Leased \$ 0.56 \$ 0.64 \$ 0.43 \$ 0.95 \$ 0.64 \$ 1.11 \$ 1.63 \$ 0.35

----- Total Per Square Foot \$ 0.81 \$
 1.59 \$ 2.08 \$ 2.92 \$ 1.84 \$ 3.53 \$ 4.88 \$ 1.54

===== TOTAL
 PORTFOLIO Tenant Improvements \$3,334,711 \$7,395,070 \$8,822,897 \$17,843,929 \$9,782,844 \$15,761,657(3)
 \$13,732,549 \$2,029,108 Per Square Foot Improved \$ 1.53 \$ 4.15 \$ 4.05 \$ 7.96 \$ 4.75 \$ 9.83 \$ 15.31 \$ 2.87 Leasing
 Commissions \$2,741,917 \$4,960,906 \$5,973,109 \$ 7,257,379 \$5,528,065 \$ 8,431,101(3) \$ 6,669,825 \$1,761,276 Per
 Square Foot Leased \$ 1.26 \$ 3.05 \$ 2.75 \$ 3.24 \$ 2.66 \$ 5.26 \$ 7.44 \$ 2.49

----- Total Per Square Foot \$ 2.79 \$
 7.20 \$ 6.80 \$ 11.20 \$ 7.41 \$ 15.09 \$ 22.75 \$ 5.36

NOTES: ----- (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. (2) Excludes \$696,625 of deferred leasing costs attributable to space marketed but not yet leased. (3) Excludes \$5.8 million of tenant improvements and \$2.2 million of leasing commissions related to a new 121,108 square foot lease to Debevoise with a lease commencement date in 2005. Also excludes tenant improvements of \$0.2 million for Sandler O'Neil & Partners (7,446 SF) for expansion space with a lease commencement date in 2004. 45 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 nine months ended September 30, 2003 as reported on its "Statements of Cash Flows - Investment Activities" contained in its consolidated financial statements (in thousands): September 30, 2003

Capital expenditures: Non-incremental.....	\$ 7,523	Incremental.....	1,674
Tenant improvements: Non-incremental.....	23,411	Incremental.....	3,473
Additions to commercial real estate properties....	\$ 36,081	===== Leasing costs:	
Non-incremental.....	\$ 9,952	Incremental.....	3,233
Payment of deferred leasing costs	\$ 13,185	===== Acquisition and development costs	\$ 55,604

=====
The following table sets forth the Company's lease expiration table at October 1, 2003 for its Total Portfolio of properties, its Office Portfolio and its Industrial / R&D Portfolio.

----- LEASE EXPIRATION SCHEDULE TOTAL											
PORTFOLIO -----											
Total	Cumulative	Year of Leases	Feet Portfolio	% of Total	Expiration	Expiring	Expiring	Sq Ft Portfolio	% of Total	Sq Ft	% of Total
-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----
2003	51	320,905	1.6%	1.6%	2004	184					
1,513,421	7.3%	8.9%	2005	221	2,306,451	11.2%	20.0%	2006	232	2,629,149	12.7%
39.8%	2007	137	1,456,481	7.0%	2009 and thereafter	351	9,027,294	43.8%	91.5%		
-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----
					Total/Weighted Average	1,318	18,897,953				
91.5%	--	-----	-----	-----	Total Portfolio Square Feet						
20,662,134	-----	-----	-----	-----	OFFICE PORTFOLIO						

Total	Cumulative	Year of Leases	Feet Portfolio	% of Total	Expiration	Expiring	Expiring	Sq Ft Portfolio	% of Total	Sq Ft	% of Total
-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----
2003	49	276,565	2.0%	2.0%	2004	152					
996,042	7.2%	9.2%	2005	188	1,600,298	11.6%	20.8%	2006	178	1,585,835	11.5%
40.2%	2007	107	1,100,529	8.0%	2009 and thereafter	287	6,089,187	44.0%	91.0%		
-----	-----	-----	-----	-----	Total/Weighted Average	1,067	12,582,740				
91.0%	--	-----	-----	-----	Total Office Portfolio Square Feet						
13,842,643	-----	-----	-----	-----	INDUSTRIAL/R&D						

Total	Cumulative	Year of Leases	Feet Portfolio	% of Total	Expiration	Expiring	Expiring	Sq Ft Portfolio	% of Total	Sq Ft	% of Total
-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----
2003	2	44,340	0.7%	0.7%	2004	32	517,379				
7.6%	8.2%	2005	33	706,153	10.4%	18.6%	2006	54	1,043,314	15.3%	33.9%
709,968	10.4%	49.5%	2009 and thereafter	64	2,938,107	43.1%	92.6%				
-----	-----	-----	-----	-----	Total/Weighted Average	251	6,315,213				
92.6%	--	-----	-----	-----	Total Industrial/R&D Portfolio						
Square Feet	6,819,491	-----	-----	-----	(a) Excludes the						

355,000 square foot office property located in Orlando, Florida 47 PART II - OTHER INFORMATION Item 1. Legal Proceedings A number of shareholder derivative actions have been commenced purportedly on behalf of the Company against the Board of Directors in the Supreme Court of the State of New York, County of Nassau (Lowinger v. Rechler et al., Index No. 01 4162/03 (9/16/03)), the Supreme Court of the State of New York, County of Suffolk (Steiner v. Rechler et al., Index No. 03 32545 (10/2/03) and Lighter v. Rechler et al., Index No. 03 23593 (10/3/03)), the United States District Court, Eastern District of New York (Tucker v. Rechler et al., Case No. cv 03 4917 (9/26/03), Clinton Charter Township Police and Fire Retirement System v. Rechler et al., Case No. cv 03 5008 (10/1/03) and Teachers' Retirement System of Louisiana v. Rechler et al., Case No. cv 03 5178 (10/14/03)) and the Circuit Court for Baltimore County (Sekuk Global Enterprises Profit Sharing Plan v. Rechler et al., Civil No. 24-C-

03007496 (10/16/03), Hoffman v. Rechler et al., 24-C-03-007876 (10/27/03) and Chirko v. Rechler et al., 24-C-03-008010 (10/30/03)), relating to the sale of the Long Island Industrial Portfolio to certain members of the Rechler family. The complaints allege, among other things, that the process by which the directors agreed to the transaction was not sufficiently independent of the Rechler family and did not involve a " market check" or third party auction process and as a result was not for adequate consideration. The Plaintiffs seek similar relief, including a declaration that the directors violated their fiduciary duties, an injunction against the transaction and damages. The Company believes that complaints are without merit. Except as provided above, 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 2. Changes in Securities and Use of Proceeds - None Item 3. Defaults Upon Senior Securities - None Item 4. Submission of Matters to a Vote of Securities Holders - None Item 5. Other information - None Item 6. Exhibits and Reports on Form 8-K a) Exhibits 31.1 Certification of Scott H. Rechler, Chief Executive Officer and President of the Registrant, pursuant to Rule 13a - 14(a) or Rule 15(d) - 14(a). 31.2 Certification of Michael Maturo, Executive Vice President, Treasurer and Chief Financial Officer of the Registrant, pursuant to Rule 13a - 14(a) or Rule 15(d) - 14(a). 32.1 Certification of Scott H. Rechler, Chief Executive Officer and President of the Registrant, pursuant to Section 1350 of Chapter 63 of Title 18 of the United States Code. 32.2 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. b) During the three months ended September 30, 2003, the Registrant filed the following reports on Form 8-K: On August 6, 2003, the Registrant submitted a report on Form 8-K under Items 7 and 12 thereof in order to file a press release announcing its consolidated financial results for the quarter ended June 30, 2003. On September 18, 2003, the Registrant submitted a report on Form 8-K under Items 5 and 7 thereof in order to describe its disposition of its Long Island industrial portfolio. 48 SIGNATURES Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized. RECKSON ASSOCIATES REALTY CORP. By: /s/ Scott H. Rechler By: /s/ Michael Maturo ----- Scott H. Rechler, Chief Executive Michael Maturo, Executive Vice Officer and President President, Treasurer and Chief Financial Officer DATE: November 14, 2003 49