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RECKSON ASSOCIATES REALTY CORP

Form 10-Q/A

December 16, 2002

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 10-Q/A

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

FOR THE QUARTERLY PERIOD ENDED SEPTEMBER 30, 2002

COMMISSION FILE NUMBER: 1-13762

RECKSON ASSOCIATES REALTY CORP.
(EXACT NAME OF REGISTRANT AS SPECIFIED IN ITS CHARTER)

MARYLAND

11-3233650

(STATE OR OTHER JURISDICTION OF
INCORPORATION OR ORGANIZATION)

(IRS EMPLOYER IDENTIFICATION NUMBER)

225 BROADHOLLOW ROAD, MELVILLE, NY

11747

(ADDRESS OF PRINCIPAL EXECUTIVE OFFICE)

(ZIP CODE)

(631) 694-6900
(REGISTRANT'S TELEPHONE NUMBER INCLUDING AREA CODE)

INDICATE BY CHECK MARK WHETHER THE REGISTRANT (1) HAS FILED ALL REPORTS
REQUIRED TO BE FILED BY SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF
1934 DURING THE PRECEDING 12 MONTHS (OR FOR SUCH SHORTER PERIOD THAT THE
REGISTRANT WAS REQUIRED TO FILE SUCH REPORTS) YES X NO___, AND (2) HAS BEEN
SUBJECT TO SUCH FILING REQUIREMENTS FOR THE PAST 90 DAYS. YES X NO ___ .

INDICATE BY CHECK MARK WHETHER THE REGISTRANT IS AN ACCELERATED FILER (AS
DEFINED IN RULE 12b-2 OF THE EXCHANGE ACT) .

YES X NO ___ .

THE COMPANY HAS TWO CLASSES OF COMMON STOCK, PAR VALUE \$.01 PAR VALUE
PER SHARE, WITH 49,182,033 AND 9,915,313 SHARES OF CLASS A COMMON
STOCK AND CLASS B COMMON STOCK OUTSTANDING, RESPECTIVELY
AS OF NOVEMBER 8, 2002

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Explanatory Note

Reckson Associates Realty Corp. (the "Registrant") is amending its Form 10-Q for the quarterly period ended September 30, 2002 in order to correct a formatting error in which the line item captioned "Increase in contract deposits and pre-acquisition costs" for the nine months ended September 30, 2002 under the heading "Cash Flows From Investing Activities" on the Consolidated Statements of Cash Flows should have reflected no amount, and the amount reflected in that line item should have been reflected in the line item appearing immediately below it captioned "Additions to developments in progress" which reflected no amount. The correction of this formatting error results in no change to the "Net cash used in investing activities" line item on the Consolidated Statements of Cash Flows.

The following indicates the corrected amounts of the line items for the nine months ended September 30, 2002 on the Consolidated Statements of Cash Flows under the heading "Cash Flows From Investing Activities":

	As per Initial Filing	As Amended in this Filing
Increase in contract deposits and pre-acquisition costs	(37,304)	--
Additions to developments in progress	--	(37,304)

In accordance with the requirements of the Securities Exchange Act of 1934, this Form 10-Q/A sets forth in its entirety "Part I, Item 1. Financial Statements." The correction of the formatting error noted above is the only change from the "Part I, Item 1. Financial Statements" contained in the Registrant's Form 10-Q for the quarterly period ended September 30, 2002 as filed with the Securities and Exchange Commission on November 12, 2002.

In addition, "Part II, Item 6. Exhibits and Reports on Form 8-K" is included in this Form 10-Q/A to reflect the filing as exhibits to this Form 10-Q/A of certifications pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350 which is required for a filing of a form 10-Q/A which contains financial statements.

PART I - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

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

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	SEPTEMBER 30, 2014
	(Unaudited)
ASSETS:	
Commercial real estate properties, at cost:	
Land	\$ 4,000,000
Building and improvements	2,400,000
Developments in progress:	
Land	
Development costs	
Furniture, fixtures and equipment	

Less accumulated depreciation	(4,000,000)

Investments in real estate joint ventures	2,500,000
Investments in mortgage notes and notes receivable	
Investments in service companies and affiliate loans and joint ventures	
Cash and cash equivalents	
Tenant receivables	
Deferred rents receivable	1,000,000
Prepaid expenses and other assets	
Contract and land deposits and pre-acquisition costs	
Deferred leasing and loan costs	

TOTAL ASSETS	\$ 2,800,000
	=====
LIABILITIES:	
Mortgage notes payable	\$ 7,000,000
Unsecured credit facility	2,000,000
Senior unsecured notes	4,000,000
Accrued expenses and other liabilities	
Dividends and distributions payable	

TOTAL LIABILITIES	1,500,000

Minority partners' interests in consolidated partnerships	2,000,000
Preferred unit interest in the operating partnership	
Limited partners' minority interest in the operating partnership	

	3,000,000

Commitments and contingencies	
STOCKHOLDERS' EQUITY:	
Preferred Stock, \$.01 par value, 25,000,000 shares authorized	
Series A preferred stock, 9,192,000 shares issued and outstanding.....	
Series B preferred stock, 2,000,000 shares issued and outstanding	
Common Stock, \$.01 par value, 100,000,000 shares authorized	
Class A common stock, 49,152,033 and 49,982,377 shares issued and outstanding, respectively.....	
Class B common stock, 9,915,313 and 10,283,513 shares issued and outstanding, respectively.....	
Treasury stock - Class A common, 1,856,200 and 0, respectively and Class B common, 368,200 and 0, respectively.....	(1,000,000)
Additional paid in capital.....	1,000,000

Total Stockholders' Equity	9,000,000

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TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY \$ 2,8
=====

(see accompanying notes to financial statements)

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

	THREE MONTHS ENDED SEPTEMBER 30,	
	2002	2001
	-----	-----
REVENUES:		
Base rents	\$ 111,175	\$ 110,5
Tenant escalations and reimbursements	15,272	15,2
Equity in earnings of real estate joint ventures and service companies	104	5
Interest income on mortgage notes and notes receivable	1,589	1,5
Gain on sales of real estate	--	9
Investment and other income	642	3,2
	-----	-----
TOTAL REVENUES	128,782	132,1
	=====	=====
EXPENSES:		
Property operating expenses	46,135	43,8
Marketing, general and administrative	7,965	7,6
Interest	22,653	23,5
Depreciation and amortization	29,147	26,3
	-----	-----
TOTAL EXPENSES	105,900	101,3
	=====	=====
Income from continuing operations before minority interests, preferred dividends and distributions, valuation reserves on investments in affiliate loans and joint ventures, discontinued operations and extraordinary loss	22,882	30,8
Minority partners' interests in consolidated partnerships	(4,446)	(3,0)
Distributions to preferred unit holders	(273)	(5)
Valuation reserves on investments in affiliate loans and joint ventures	--	(163,0)
Limited partners' minority interest in the operating partnership	(1,249)	14,6
	-----	-----
Income (loss) before discontinued operations, extraordinary loss and preferred dividends	16,914	(121,0)
Discontinued operations (net of limited partners' minority interest)		
Income from discontinued operations	439	1
Gain on sales of real estate	4,268	
	-----	-----
Income (loss) before extraordinary loss and preferred dividends	21,621	(120,8)
Extraordinary loss on extinguishment of debt, net of limited partners' minority interest	--	(2,5)
	-----	-----
Net income (loss)	21,621	(123,4)
Dividends to preferred shareholders	(5,487)	(5,4)
	-----	-----
Net income (loss) allocable to common shareholders	\$ 16,134	\$ (128,9)

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Net income (loss) allocable to:		
Class A common	\$ 12,334	\$ (97,9
Class B common	3,800	(30,9
Total	\$ 16,134	\$ (128,9
Basic net income (loss) per weighted average common share before extraordinary loss:		
Class A common	\$.25	\$ (
Extraordinary loss per Class A common share	--	
Basic net income (loss) per weighted average Class A common share .	\$.25	\$ (
Class B common	\$.38	\$ (
Extraordinary loss per Class B common share	--	
Basic net income (loss) per weighted average Class B common share .	\$.38	\$ (
Basic weighted average common shares outstanding:		
Class A common	49,525,372	49,715
Class B common	10,010,423	10,283
Diluted net income (loss) per weighted average common share before extraordinary loss:		
Class A common	\$.25	\$ (
Class B common	\$.26	\$ (
Diluted weighted average common shares outstanding:		
Class A common	49,825,400	49,715
Class B common	10,010,423	10,283

(see accompanying notes to financial statements)

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

CASH FLOWS FROM OPERATING ACTIVITIES:

NET INCOME (LOSS).....		\$
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation and amortization.....		
Gain on sales of real estate.....		
Valuation reserves on investments in affiliate loans and joint ventures....		
Minority partners' interests in consolidated partnerships.....		
Extraordinary loss on extinguishment of debts.....		

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Limited partners' minority interest in the operating partnership.....
Equity in earnings of real estate joint ventures and service companies.....
Changes in operating assets and liabilities:
Tenant receivables.....
Real estate tax escrows

CASH FLOWS FROM INVESTING ACTIVITIES:

Increase in contract deposits and pre-acquisition costs.....
Additions to developments in progress.....
Proceeds from mortgage note receivable repayments.....
Investments in affiliate joint ventures.....
Additions to commercial real estate properties.....
Additions to furniture, fixtures and equipment.....
Payment of leasing costs.....
Proceeds from sales of real estate and marketable securities.....
Net cash used in investing activities.....

CASH FLOWS FROM FINANCING ACTIVITIES:

Proceeds from issuance of common stock net of issuance costs.....
Purchases of common stock.....
Principal payments on secured borrowings.....
Payment of loan and equity issuance costs.....
Increase in investments in affiliate loans and service companies.....
Proceeds from issuance of senior unsecured notes.....
Proceeds from secured borrowings.....
Proceeds from unsecured credit facility.....
Repayment of unsecured credit facility.....
Distributions to minority partners in consolidated partnerships.....
Distributions to limited partners in the operating partnership.....
Distributions to preferred unit holders.....
Dividends to common shareholders.....
Dividends to preferred shareholders.....
Net cash used in financing activities.....

Net (decrease) increase in cash and cash equivalents.....
Cash and cash equivalents at beginning of period.....
Cash and cash equivalents at end of period.....

\$

(see accompanying notes to financial statements)

RECKSON ASSOCIATES REALTY CORP.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2002
(UNAUDITED)

1. ORGANIZATION AND FORMATION OF THE COMPANY

Reckson Associates Realty Corp. (the "Company") is a self-administered and self

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

The Company was incorporated in Maryland in September 1994. In June 1995, the Company completed an initial public offering (the "IPO") and commenced operations.

The Company became the sole general partner of Reckson Operating Partnership, L.P. (the "Operating Partnership") by contributing substantially all of the net proceeds of the IPO in exchange for an approximate 73% interest in the Operating Partnership. All Properties acquired by the Company are held by or through the Operating Partnership. In conjunction with the IPO, the Operating Partnership executed various option and purchase agreements whereby it issued common units of limited partnership interest in the Operating Partnership ("OP Units") to certain continuing investors in exchange for (i) interests in certain property partnerships, (ii) fee simple and leasehold interests in properties and development land, (iii) certain other business assets and (iv) 100% of the non-voting preferred stock of the management and construction companies. At September 30, 2002, the Company's ownership percentage in the Operating Partnership was approximately 89.7%.

2. BASIS OF PRESENTATION

The accompanying consolidated financial statements include the consolidated financial position of the Company and the Operating Partnership at September 30, 2002 and December 31, 2001 and the results of their operations for the three and nine months ended September 30, 2002 and 2001, respectively, and, their cash flows for the nine months ended September 30, 2002 and 2001, respectively. The Operating Partnership's investments in majority owned and/or 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. 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 owns a 97% non-controlling interest are 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, commencing on October 1, 2002, the Operating Partnership will consolidate the operations of the Service Companies. All significant intercompany balances and transactions have been eliminated in the consolidated financial statements.

Minority partners' interests in consolidated partnerships represent a 49% non-affiliated interest in RT Tri-State LLC, owner of an nine property suburban office portfolio, a 40% non-affiliated interest in Omni Partners, L.P., owner of a 575,000 square foot suburban office property and beginning December 21, 2001, a 49% non-affiliated interest in Metropolitan 919 Third Avenue, LLC, owner of the property located at 919 Third Avenue, New York, NY. Limited partners' minority interest in the Operating Partnership was approximately 10.3% and 11.1% at September 30, 2002 and 2001, respectively.

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

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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, 2002 and for the three and nine month periods ended September 30, 2002 and 2001 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, 2002. 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, 2001.

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

In October 2001, the Financial Accounting Standards Board ("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 (loss) allocable to common shareholders. Statement No. 144 only impacts the presentation of the results of operations and gain (loss) on sales of real estate for those properties sold during the period within the consolidated statements of operations (see Note 6).

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

In April 2002, the FASB issued Statement No. 145, which rescinded Statement No. 4, "Reporting Gains and Losses from Extinguishment of Debt". Statement No. 145 is effective for fiscal years beginning after May 15, 2002. The Company will adopt Statement No. 145 on January 1, 2003.

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

3. MORTGAGE NOTES PAYABLE

As of September 30, 2002, the Company had approximately \$743.1 million of fixed rate mortgage notes which mature at various times between 2004 and 2027. The notes are secured by 21 properties with a net carrying value of approximately \$1.5 billion and have a weighted average interest rate of approximately 7.26%.

The following table sets forth the Company's mortgage notes payable as of September 30, 2002, by scheduled maturity date (dollars in thousands):

Property	Principal Outstanding	Interest Rate	Maturity Date
80 Orville Dr, Islip, NY	2,616	10.10%	February, 20
395 North Service Road, Melville, NY	19,811	6.45%	October, 20
200 Summit Lake Drive, Valhalla, NY	19,476	9.25%	January, 20
1350 Avenue of the Americas, NY, NY	74,824	6.52%	June, 20
Landmark Square, Stamford, CT (a)	45,342	8.02%	October, 20
100 Summit Lake Drive, Valhalla, NY	19,429	8.50%	April, 20
333 Earle Ovington Blvd, Mitchel Field, NY (b)	54,104	7.72%	August, 20
810 Seventh Avenue, NY, NY	83,223	7.73%	August, 20
100 Wall Street, NY, NY	36,063	7.73%	August, 20
6900 Jericho Turnpike, Syosset, NY	7,376	8.07%	July, 20
6800 Jericho Turnpike, Syosset, NY	13,976	8.07%	July, 20
580 White Plains Road, Tarrytown, NY	12,735	7.86%	September, 20
919 Third Ave, NY, NY (c)	247,464	6.867%	August, 20
110 Bi-County Blvd., Farmingdale, NY	3,690	9.125%	November, 20
One Orlando Center, Orlando, FL (d)	38,512	6.82%	November, 20
120 West 45th Street, NY, NY (d)	64,507	6.82%	November, 20
Total/Weighted Average	\$ 743,148	7.26%	

(a) Encompasses six Class A office properties.

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(b) The Company has a 60% general partnership interest in this property and its proportionate share of the principal amount is approximately \$32.5 million

(c) The Company has a 51% membership interest in this property and its proportionate share of the aggregate principal amount is approximately \$126.2 million

(d) Subject to interest rate adjustment on November 1, 2004

In addition, the Company has a 60% interest in an unconsolidated joint venture property. The Company's pro rata share of the mortgage debt at September 30, 2002 is approximately \$7.6 million.

4. SENIOR UNSECURED NOTES

As of September 30, 2002, the Operating Partnership had outstanding approximately \$499.3 million (net of issuance discounts) of senior unsecured notes (the "Senior Unsecured Notes"). The following table sets forth the Operating Partnership's Senior Unsecured Notes and other related disclosures by scheduled maturity date (dollars in thousands):

ISSUANCE	FACE AMOUNT	COUPON RATE	TERM	MATURITY
March 26, 1999	\$ 100,000	7.40%	5 years	March 2004
June 17, 2002	\$ 50,000	6.00%	5 years	June 2007
August 27, 1997	\$ 150,000	7.20%	10 years	August 2007
March 26, 1999	\$ 200,000	7.75%	10 years	March 2009

Interest on the Senior Unsecured Notes is payable semi-annually with principal and unpaid interest due on the scheduled maturity dates. In addition, the Senior Unsecured Notes issued on March 26, 1999 and June 17, 2002 were issued at aggregate discounts of \$738,000 and \$267,500, respectively. Such discounts are being amortized over the term of the Senior Unsecured Notes to which they relate.

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

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5. UNSECURED CREDIT FACILITY

As of September 30, 2002, the Company had a three year \$575 million unsecured revolving credit facility (the "Credit Facility") from JPMorgan Chase Bank, as administrative agent, UBS Warburg LLC as syndication agent and Deutsche Bank as documentation agent. The outstanding borrowings under the Credit Facility was \$224 million at September 30, 2002. The Credit Facility matures in September 2003 and borrowings under the Credit Facility are currently priced off LIBOR plus 105 basis points.

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

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purposes. At September 30, 2002, the Company had availability under the Credit Facility to borrow approximately an additional \$351 million, subject to compliance with certain financial covenants.

6. COMMERCIAL REAL ESTATE INVESTMENTS

As of September 30, 2002, the Company owned and operated 75 office properties (inclusive of eleven office properties owned through joint ventures) comprising approximately 13.6 million square feet, 101 industrial properties comprising approximately 6.7 million square feet and two retail properties comprising approximately 20,000 square feet located in the Tri-State Area.

The Company also owns approximately 338 acres of land in 14 separate parcels of which the Company can develop approximately 3.2 million square feet of office space and approximately 470,000 square feet of industrial 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, 2002, the Company had invested approximately \$117 million in these development projects. Management has made subjective assessments as to the value and recoverability of these investments based on current and proposed development plans, market comparable land values and alternative use values. The Company has capitalized approximately \$8.1 million for the nine months ended September 30, 2002 related to real estate taxes, interest and other carrying costs related to these development projects.

The Company holds a \$17.0 million interest in a note receivable secured by a partnership interest in Omni Partners, L.P., owner of the Omni, a 575,000 square foot Class A office property located in Uniondale, NY and three other notes receivable aggregating \$36.5 million which bear interest at rates ranging from 10.5% to 12% per annum and are secured by a minority partner's preferred unit interest in the Operating Partnership and certain real property. As of September 30, 2002, 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. The Company also owns a 357,000 square foot office building in Orlando, Florida. This non-core real estate holding was acquired in May 1999 in connection with the Company's initial New York City portfolio acquisition. This property is cross collateralized under a \$103 million mortgage note along with one of the Company's New York City buildings.

The Company also owns a 60% non-controlling interest in a 172,000 square foot office building located at 520 White Plains Road in White Plains, New York (the "520JV") which it manages. The remaining 40% interest is owned by JAH Realities L.P. Jon Halpern, the CEO and a director of HQ Global Workplaces is a partner in JAH Realities, L.P.. As of September 30, 2002, the 520JV had total assets of \$21.3 million, a mortgage note payable of \$12.7 million and other liabilities of \$1.0 million. The Company's allocable share of the 520JV mortgage note payable is approximately \$7.6 million. In addition, the 520JV had total revenues of \$2.6 million and total expenses of \$2.5 million for the nine months ended September 30, 2002. The Company accounts for the 520JV under the equity method of accounting. The 520JV contributed approximately \$133,000 and \$316,000 to the Company's equity in earnings of real estate joint ventures for the nine months ended September 30, 2002 and 2001, respectively.

On December 21, 2001, the Company formed a joint venture with the New York State Teachers' Retirement System ("NYSTRS") 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. On January 4, 2002, net proceeds from this transaction were used primarily to repay borrowings under the Credit Facility and for working capital

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purposes.

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

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7. STOCKHOLDERS' EQUITY

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

During August 2002, the Board of Directors of the Company declared the following dividends on the Company's securities:

SECURITY -----	DIVIDEND/ DISTRIBUTION -----	RECORD DATE ----	PAYMENT DATE ----	THREE MONTH ENDED -----
Class A common stock	\$.4246	October 7, 2002	October 18, 2002	September 30,
Class B common stock	\$.6471	October 15, 2002	October 31, 2002	October 31,
Series A preferred stock	\$.476563	October 15, 2002	October 31, 2002	October 31,
Series B preferred stock	\$.553125	October 15, 2002	October 31, 2002	October 31,

On May 22, 2002, approximately \$1.4 million of loans made to certain executive officers to purchase the Company's common stock matured. The loans were secured by 61,668 shares of the Company's Class A common stock. The loans were satisfied by the executive officers with the 61,668 shares of Class A common stock. The market value of these shares on May 22, 2002 was sufficient to fully satisfy these loans and as such there was no financial impact to the Company. The Company has subsequently retired these shares.

On September 30, 2002, the Company had issued and outstanding 9,915,313 shares of Class B Exchangeable Common Stock, par value \$.01 per share (the "Class B common stock"). The dividend on the shares of Class B common stock is subject to adjustment annually based on a formula which measures increases or decreases in the Company's Funds From Operations, as defined, over a base year. The Class B common stock currently receives an annual dividend of \$2.5884 per share.

The shares of Class B common stock are exchangeable at any time, at the option of the holder, into an equal number of shares of Class A common stock, subject to customary antidilution adjustments. The Company, at its option, may redeem any or all of the Class B common stock in exchange for an equal number of shares of the Company's Class A common stock at any time following November 23, 2003.

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The Board of Directors of the Company has authorized the purchase of up to a 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 three months ended September 30, 2002, under this buy-back program, the Company purchased 368,200 shares of Class B common stock at an average price of \$22.90 per Class B share and 1,856,200 shares of Class A common stock at an average price of \$21.98 per Class A share for an aggregate purchase price for both the Class A and Class B common stock of approximately \$49.2 million. In addition, subsequent to September 30, 2002, the Company purchased 842,200 shares of Class A common stock at \$20.77 per share. As a result of these purchases, annual common stock dividends will decrease by approximately \$5.5 million. Previously, under the Company's prior stock buy-back program, the Company had purchased and retired 1,410,804 shares of Class B common stock at an average price of \$21.48 per Class B share and 61,704 shares of Class A common stock at an average price of \$23.03 per Class A share for an aggregate purchase price for both the Class A and Class B common stock of approximately \$31.7 million.

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

On September 30, 2002, the Company had issued and outstanding 9,192,000 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. On October 14, 2002, the Company purchased and retired 357,500 shares of the Series A Preferred stock at \$22.29 per share for approximately \$8.0 million. As a result of this purchase, annual preferred dividends will decrease by approximately \$682,000.

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

Basic net income (loss) per share on the Company's Class A common stock was calculated using the weighted average number of shares outstanding of 49,525,372 and 49,715,423 for the three months ended September 30, 2002 and 2001, respectively and 50,102,817 and 47,489,129 for the nine months ended September 30, 2002 and 2001, respectively.

Basic net income (loss) per share on the Company's Class B common stock was calculated using the weighted average number of shares outstanding of 10,010,423 and 10,283,513 for the three months ended September 30, 2002 and 2001, respectively and 10,191,483 and 10,283,513 for the nine months ended September 30, 2002 and 2001, respectively.

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The following table sets forth the Company's reconciliation of numerators and denominators of the basic and diluted net income (loss) per weighted average common share and the computation of basic and diluted net income (loss) per weighted average share for the Company's Class A common stock (in thousands except for earnings per share data):

	Three Months Ended September 30,		
	2002	2001	2000
Numerator:			
Income (loss) before discontinued operations, dividends to preferred shareholders, extraordinary loss and (income) loss allocated to Class B shareholders.....	\$ 16,914	\$ (121,019)	\$ 57,000
Discontinued operations (net of share applicable to limited partners and Class B shareholders).....	3,598	137	3,000
Dividends to preferred shareholders.....	(5,487)	(5,487)	(16,000)
Extraordinary loss (net of share applicable to limited partners and Class B shareholders).....	--	(1,971)	--
(Income) loss allocated to Class B common shareholders.....	(2,691)	30,396	(9,000)
Numerator for basic and diluted earnings per Class A common share.....	\$ 12,334	\$ (97,944)	\$ 33,000
Denominator:			
Denominator for basic earnings per share - weighted average Class A common shares.....	49,525	49,715	50,000
Effect of dilutive securities: Common stock equivalents.....	300	--	--
Denominator for diluted earnings per Class A common share - adjusted weighted average shares and assumed conversions.....	49,825	49,715	50,000
Basic earnings per Class A common share:			
Income (loss) before extraordinary loss.....	\$.25	\$ (1.93)	\$.25
Extraordinary loss.....	--	(.04)	--
Net income (loss) per Class A common share.....	\$.25	\$ (1.97)	\$.25
Diluted earnings per Class A common share:			
Income (loss) before extraordinary loss.....	\$.25	\$ (1.93)	\$.25
Extraordinary loss.....	--	(.04)	--
Diluted net income (loss) per Class A common share....	\$.25	\$ (1.97)	\$.25

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

	Three Months Ended September 30,		
	2002	2001	2000
Numerator:			
Income (loss) before discontinued operations, dividends to preferred shareholders, extraordinary loss and (income) loss allocated to Class A shareholders.....	\$ 16,914	\$ (121,019)	\$ 57,111
Discontinued operations (net of share applicable to limited partners and Class A shareholders).....	1,109	43	1,109
Dividends to preferred shareholders.....	(5,487)	(5,487)	(16,914)
Extraordinary loss (net of share applicable to limited partners and Class A shareholders).....	--	(624)	--
(Income) loss allocated to Class A common shareholders..	(8,736)	96,111	(31,250)
Numerator for basic earnings per Class B common share....	3,800	(30,976)	10,010
Add back:			
Income allocated to Class A common shareholders.....	12,334	--	35,250
Limited partner's minority interest in the operating partnership.....	1,249	--	4,854
Numerator for diluted earnings per Class B common share...	\$ 17,383	\$ (30,976)	\$ 50,114
Denominator:			
Denominator for basic earnings per share-weighted average Class B common shares.....	10,010	10,284	10,010
Effect of dilutive securities:			
Weighted average Class A common shares outstanding...	49,525	--	50,114
Weighted average OP Units outstanding.....	7,276	--	7,276
Common stock equivalents.....	300	--	--
Denominator for diluted earnings per Class B common share - adjusted weighted average shares and assumed conversions.....	67,111	10,284	68,114
Basic earnings per Class B common share:			
Income (loss) before extraordinary loss.....	\$.38	\$ (2.95)	\$.57
Extraordinary loss.....	--	(.06)	--
Net income (loss) per Class B common share.....	\$.38	\$ (3.01)	\$.57
Diluted earnings per Class B common share:			
Income (loss) before extraordinary loss.....	\$.26	\$ (2.95)	\$.26
Extraordinary loss.....	--	(.06)	--
Diluted net income (loss) per Class B common share....	\$.26	\$ (3.01)	\$.26

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8. SUPPLEMENTAL DISCLOSURES OF CASH FLOWS INFORMATION (IN THOUSANDS)

	NINE MONTHS ENDED SEPTEMBER 30,	
	----- 2002 -----	
Cash paid during the period for interest.....	\$	79,456
		=====
Interest capitalized during the period	\$	6,354
		=====

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

The Company does not consider (i) interest incurred on its Credit Facility and Senior Unsecured Notes (ii) the operating performance of the office property located in Orlando, Florida and (iii) the operating performance of those properties reflected as discontinued operations in the Company's consolidated statements of operations 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 and nine months ended September 30, 2002 and 2001 (in thousands):

	Three months ended		
	----- September 30, 2002 -----		
	Core Portfolio	Other	CONSOLIDATED TOTALS
	-----	-----	-----
REVENUES:			
Base rents, tenant escalations and reimbursements.....	\$ 124,289	\$ 2,158	\$ 126,447
Equity in earnings of real estate joint ventures and service companies.....	--	104	104
Other income (loss).....	331	1,900	2,231
	-----	-----	-----
Total Revenues.....	124,620	4,162	128,782

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EXPENSES:			
Property operating expenses.....	45,011	1,124	46,135
Marketing, general and administrative..	4,807	3,158	7,965
Interest.....	13,003	9,650	22,653
Depreciation and amortization.....	26,730	2,417	29,147
Total Expenses.....	89,551	16,349	105,900
Income (loss) from continuing operations before minority interests, preferred dividends and distributions, valuation reserves, discontinued operations and extraordinary loss...	\$ 35,069	\$ (12,187)	\$ 22,882
Total Assets.....	\$ 2,679,679	\$ 219,269	\$ 2,898,948

Three months ended

September 30, 2001

	Core Portfolio	Other	CONSOLIDATED TOTALS
REVENUES:			
Base rents, tenant escalations and reimbursements.....	\$ 123,689	\$ 2,178	\$ 125,867
Equity in earnings of real estate joint ventures and service companies.....	--	505	505
Other income (loss).....	6,714	(914)	5,800
Total Revenues.....	130,403	1,769	132,172
EXPENSES:			
Property operating expenses.....	42,933	911	43,844
Marketing, general and administrative..	5,533	2,096	7,629
Interest.....	13,033	10,477	23,510
Depreciation and amortization.....	24,183	2,135	26,318
Total Expenses.....	85,682	15,619	101,301
Income (loss) from continuing operations before minority interests, preferred dividends and distributions, valuation reserves, discontinued operations and extraordinary loss...	\$ 44,721	\$ (13,850)	\$ 30,871
Total Assets.....	\$ 2,631,077	\$ 230,574	\$ 2,861,651

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Nine months ended

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September 30, 2002

	Core Portfolio	Other	CONSOLIDATED TOTALS
REVENUES:			
Base rents, tenant escalations and reimbursements.....	\$ 364,505	\$ 6,575	\$ 371,080
Equity in earnings of real estate joint ventures and service companies.....	--	598	598
Other income.....	1,383	5,323	6,706
Total Revenues.....	365,888	12,496	378,384
EXPENSES:			
Property operating expenses.....	125,996	3,465	129,461
Marketing, general and administrative...	13,994	8,716	22,710
Interest.....	38,956	26,816	65,772
Depreciation and amortization.....	76,757	6,156	82,913
Total Expenses.....	255,703	45,153	300,856
Income (loss) from continuing operations before minority interests, preferred dividends and distributions, valuation reserves, discontinued operations and extraordinary loss...	\$ 110,185	\$ (32,657)	\$ 77,528

Nine months ended

September 30, 2001

	Core Portfolio	Other	CONSOLIDATED TOTALS
REVENUES:			
Base rents, tenant escalations and reimbursements.....	\$ 365,681	\$ 7,214	\$ 372,895
Equity in earnings of real estate joint ventures and service companies.....	--	1,704	1,704
Other income.....	9,192	9,894	19,086
Total Revenues.....	374,873	18,812	393,685
EXPENSES:			
Property operating expenses.....	122,702	2,345	125,047
Marketing, general and administrative...	15,504	7,934	23,438
Interest.....	38,086	32,615	70,701
Depreciation and amortization.....	70,404	6,197	76,601
Total Expenses.....	246,696	49,091	295,787
Income (loss) from continuing operations before minority interests, preferred dividends and distributions,			

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valuation reserves, discontinued			
operations and extraordinary loss...	\$ 128,177	\$ (30,279)	\$ 97,898
	=====	=====	=====

10. RELATED PARTY TRANSACTIONS

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 owns a 97% non-controlling interest. An entity which is substantially owned by certain Rechler family members who are also executive officers of the Company own a 3% controlling interest in the Service Companies. In order to minimize the potential for corporate conflicts of interests, the Independent Directors of the Company approved the purchase by the Operating Partnership of the remaining 3% interest in the Service Companies. On October 1, 2002, the Operating Partnership acquired such 3% interests in the Service Companies for an aggregate purchase price of approximately \$122,000. Such amount was less than the total amount of capital contributed by the Rechler family members. As a result, commencing on October 1, 2002, the Operating Partnership will consolidate the operations of the Service Companies. During the nine months ended September 30, 2002, Reckson Construction Group, Inc. billed approximately \$134,000 of market rate services and Reckson Management Group, Inc. billed approximately \$232,000 of market rate management fees to certain properties in which certain Rechler family members who are also executive officers maintain an equity interest. These properties consist of five properties in which these officers had acquired their interests prior to the initial public offering, but were not contributed to the Company as part of the initial public offering (the "Option Properties"). At the initial public offering the Operating Partnership was granted ten year options to acquire these interests at a price based upon an agreed upon formula. Such options provide the Company the right to acquire fee interest in two of the Option Properties and the Rechler's minority interests in the remaining properties. The Independent Directors are currently reviewing whether the Company should exercise one or more of these options. In addition, for the nine months ended September 30, 2002, Reckson Construction Group, Inc. performed market rate services, aggregating approximately \$299,000 for a property in which certain executive officers maintain an equity interest.

The Company leases 43,713 square feet of office and storage space at an Option Property for its corporate offices located in Melville, New York at an annual base rent of approximately \$1.1 million. The Company also leases 10,722 square feet of warehouse space used for equipment, materials and inventory storage at an Option Property located in Deer Park, New York at an annual base rent of approximately \$72,000.

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

During 1997, the Company formed FrontLine Capital Group, formerly Reckson Service Industries, Inc., ("FrontLine") and RSVP. RSVP is a real estate venture capital fund which invests primarily in real estate and real estate operating companies outside the Company's core office and industrial focus and whose common equity is held indirectly by FrontLine. In connection with the formation and spin-off of FrontLine, the Operating Partnership established an unsecured credit facility with FrontLine (the "FrontLine Facility") in the amount of \$100

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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, 2002, approximately \$109.1 million had been funded through the RSVP Commitment, of which \$59.8 million represents investments by the Company in RSVP-controlled (REIT-qualified) joint ventures and \$49.3 million represents loans made to FrontLine under the RSVP Facility. As of September 30, 2002, interest accrued (net of reserves) under the FrontLine Facility and the RSVP Facility was approximately \$19.6 million. RSVP retained the services of two managing directors to manage RSVP's day to day operations. Prior to the spin off of Frontline, the Company guaranteed certain salary provisions of their employment agreements with RSVP Holdings, LLC, RSVP's common member. The term of these employment agreements is seven years commencing March 5, 1998 provided however, the term may be earlier terminated after five years upon certain circumstances. The salary for each managing director is \$1 million in the first five years and \$1.6 million in years six and seven.

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

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

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, 2002. Such amount has been reflected in investments in service companies and affiliate loans and joint ventures on the Company's consolidated balance sheet. The common and preferred members of RSVP are currently in dispute over certain provisions of the RSVP operating agreement. The members are currently negotiating to restructure the RSVP operating agreement to settle the dispute. There can be no assurances that the

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members will successfully negotiate a settlement.

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

Scott H. Rechler, who serves as Co-Chief Executive Officer and a director of the Company, serves as CEO and Chairman of the Board of Directors of FrontLine. As of December 31, 2001, the Company's directors and officers owned approximately 15.9% of FrontLine's outstanding common stock.

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In November 1999, the Company received 176,186 shares of the common stock of FrontLine as fees in connection with the FrontLine Loans. As a result of certain tax rule provisions included in the REIT Modernization Act, it was determined that the Company could no longer maintain any equity position in FrontLine. As part of a compensation program, the Company distributed these shares to certain non-executive employees, subject to recourse loans. The loans were scheduled to be forgiven over time based on continued employment with the Company. Based on the current value of FrontLine's common stock, the Company has established a valuation reserve charge relating to the outstanding balance of these loans in the amount of \$2.4 million.

11. COMMITMENTS AND CONTINGENCIES

HQ Global Workplaces, Inc. ("HQ"), one of the largest providers of flexible officing solutions in the world and which is controlled by FrontLine, currently operates nine (formerly eleven) executive office centers in the Company's properties, three of which are held through joint ventures. The leases under which these office centers operate expire between 2008 and 2011, encompass approximately 202,000 square feet and have current contractual annual base rents of approximately \$6.1 million. On March 13, 2002, as a result of experiencing financial difficulties, HQ voluntarily filed a petition for relief under Chapter 11 of the U.S. Bankruptcy Code. As of June 30, 2002, HQ's leases with the Company were in default. Further, effective March 13, 2002, the Bankruptcy Court granted HQ's petition to reject two of its leases with the Company. The two rejected leases aggregated approximately 23,900 square feet and provided for contractual base rents of approximately \$548,000 for the 2002 calendar year. Commencing April 1, 2002 and pursuant to the bankruptcy filing, HQ has been paying current rental charges under its leases with the Company, other than under the two rejected leases. The Company is in negotiation to restructure three of the leases and leave the terms of the remaining six leases unchanged. All negotiations with HQ are conducted by a committee designated by the Board and chaired by an independent director. There can be no assurance as to whether any deal will be consummated with HQ or if HQ will affirm or reject any or all of its remaining leases with the Company. As a result of the foregoing, the Company has reserved approximately \$550,000 (net of minority partners' interests

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and including the Company's share of unconsolidated joint venture interest), or 74%, of the amounts due from HQ as of September 30, 2002. Scott H. Rechler serves as the non-Executive Chairman of the Board and Jon Halpern is the Chief Executive Officer and a director of HQ.

WorldCom/MCI and its affiliates ("WorldCom"), a telecommunications company, which leases as of September 30, 2002 approximately 527,000 square feet in thirteen of the Company's properties located throughout the Tri-State Area voluntarily filed a petition for relief under Chapter 11 of the U.S. Bankruptcy Code on July 21, 2002. The total annualized base rental revenue from these leases amounts to approximately \$12.0 million, or 2.9% of the Company's total 2002 annualized rental revenue, making it the Company's second largest tenant based on base rental revenue earned on a consolidated basis. All of WorldCom's leases are current on base rental charges through November 30, 2002 and the Company currently holds approximately \$300,000 in security deposits relating to these leases. There can be no assurance as to whether WorldCom will affirm or reject any or all of its leases with the Company. As a result of the foregoing, the Company has increased its reserve against the deferred rent receivable on its balance sheet in an amount equal to \$1.1 million representing approximately 51% of the outstanding deferred rent receivable attributable to WorldCom.

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

Arthur Andersen, LLP ("AA") leased approximately 38,000 square feet in one of the Company's New York City buildings. AA's lease with the Company provided for base rent of approximately \$2 million on an annualized basis and expired in April 2004. AA has experienced significant financial difficulties with its business and as a result has entered into a lease termination agreement with the Company effective November 30, 2002. In October 2002, AA paid the Company for all base rental and other charges through November 30, 2002 and a lease termination fee of approximately \$144,000. As of September 30, 2002, the Company has reserved 100% of the deferred rent receivable related to this lease which is approximately \$130,000.

PART II - OTHER INFORMATION

- Item 6. Exhibits and Reports on Form 8-K
a) Exhibits

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- 3(ii)* Amended and Restated ByLaws of the Registrant
- 10.1* Each member of the Registrant's Board of Directors and each Executive Officer of the Registrant has entered into an Indemnification Agreement with the Registrant. These Indemnification Agreements are identical in all material respects. The schedule below sets forth the terms of each Indemnification Agreement not filed which differ from the copy of the example Indemnification Agreement (between the Registrant and Donald J. Rechler, dated as of May 23, 2002), which is filed as Exhibit 10.1 hereto:

Name	Dated As Of
----	-----
Scott H. Rechler	May 23, 2002
Mitchell D. Rechler	May 23, 2002
Gregg M. Rechler	May 23, 2002
Michael Maturo	May 23, 2002
Roger M. Rechler	May 23, 2002
Jason Barnett	May 23, 2002
Herve A. Kevenides	May 23, 2002
John V. N. Klein	May 23, 2002
Ronald H. Menaker	May 1, 2002
Peter Quick	May 1, 2002
Lewis S. Ranieri	May 23, 2002
Conrad D. Stephenson	May 23, 2002

- 99.1 Certification of Donald J. Rechler, Co-Chief Executive Officer of the Registrant pursuant to Section 1350 of Chapter 63 of Title 18 of the United States Code
- 99.2 Certification of Scott H. Rechler, Co-Chief Executive Officer of the Registrant pursuant to Section 1350 of Chapter 63 of Title 18 of the United States Code
- 99.3 Certification of Michael Maturo, Executive Vice President, Treasurer and Chief Financial Officer of the Registrant pursuant to Section 1350 of Chapter 63 of Title 18 of the United States Code

*Previously filed as an Exhibit to the Form 10-Q filed on November 12, 2002.

- b) During the three months ended September 30, 2002, the Registrant filed the following reports on Form 8-K:

On August 8, 2002, the Registrant submitted a report on Form 8-K under Item 9 thereof in order to submit its second quarter presentation in satisfaction of the requirements of Regulation FD.

On August 8, 2002, the Registrant submitted a report on Form 8-K under Item 9 thereof in order to submit supplemental operating and financial data for the quarter ended June 30, 2002 in satisfaction of the requirements of Regulation FD.

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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

Scott H. Rechler, Co-Chief Executive Officer

By /s/ Donald J. Rechler

Donald J. Rechler, Co-Chief Executive Officer

By: /s/ Michael Maturo

Michael Maturo, Executive Vice President
Treasurer and Chief Financial Officer

DATE: December 16, 2002

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CERTIFICATION

I, Donald J. Rechler, certify that:

1. I have reviewed this quarterly report on Form 10-Q/A of Reckson Associates Realty Corp.;
2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;
3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the Registrant as of, and for, the periods presented in this quarterly report;
4. The Registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the Registrant and we have:
 - a) designed such disclosure controls and procedures to ensure that material information relating to the Registrant, including its consolidated subsidiaries, is made known to us by others within those

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entities, particularly during the period in which this quarterly report is being prepared;

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

Date: December 16, 2002

/s/ Donald J. Rechler

Donald J. Rechler
Co-Chief Executive Officer

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CERTIFICATION

I, Scott H. Rechler, certify that:

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

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

Date: December 16, 2002

/s/ Scott H. Rechler

Scott H. Rechler
Co-Chief Executive Officer

CERTIFICATION

I, Michael Maturo, certify that:

1. I have reviewed this quarterly report on Form 10-Q/A of Reckson Associates Realty Corp.;
2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact

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necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;

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

Date: December 16, 2002

/s/ Michael Maturo

Michael Maturo
Executive Vice President, Treasurer
and Chief Financial Officer

