

RECKSON ASSOCIATES REALTY CORP
Form 11-K
June 27, 2005

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, DC 20549

FORM 11-K

Annual Report Pursuant to Section 15(d) of the Securities Exchange Act of 1934

ANNUAL REPORT PURSUANT TO SECTION 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2004
OR

TRANSITION REPORT PURSUANT TO SECTION 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission file number 1-13762

A. Full title of the plan and the address of the plan, if different from that of the issuer named below:

RECKSON 401(k) PLAN

B. Name of issuer of the securities held pursuant to the plan and the address of its principal executive office:

**RECKSON ASSOCIATES REALTY CORP.
225 Broadhollow Road
Melville, New York 11747
(631) 694-6900**

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FINANCIAL STATEMENTS AND SUPPLEMENTAL SCHEDULE

Reckson 401(k) Plan

Year ended December 31, 2004
with Report of Independent Registered Public Accounting Firm

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Reckson 401(k) Plan
Financial Statements
and Supplemental Schedule

Year ended December 31, 2004

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Report of Independent Registered Public Accounting Firm

Plan Administrator
Reckson 401(k) Plan
Retirement and Benefits Committee

We have audited the accompanying statements of net assets available for benefits of Reckson 401(k) Plan (the "Plan") as of December 31, 2004 and 2003, and the related statement of changes in net assets available for benefits for the year ended December 31, 2004. These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We were not engaged to perform an audit of the Plan's internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Plan's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the net assets available for benefits of the Plan at December 31, 2004 and 2003, and the changes in its net assets available for benefits for the year ended December 31, 2004, in conformity with U.S. generally accepted accounting principles.

Our audits were performed for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying supplemental schedule of assets (held at end of year) at December 31, 2004, is presented for purposes of additional analysis and is not a required part of the financial statements but is supplementary information required by the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. This supplemental schedule is the responsibility of the Plan's management. The supplemental schedule has been subjected to the auditing procedures applied in our audits of the financial statements and, in our opinion, are fairly stated in all material respects in relation to the financial statements taken as a whole.

/s/ Ernst & Young, LLP

New York, New York
June 20, 2005

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Reckson 401(k) Plan

Statements of Net Assets Available for Benefits

| | December 31 | |
|-----------------------------------|--------------------|--------------|
| | 2004 | 2003 |
| Assets | | |
| Investments <i>(Note 3)</i> | \$ 5,736,186 | \$ 4,754,776 |
| Receivables: | | |
| Employer contributions | 11,185 | □ |
| Participant contributions | 12,707 | 11,430 |
| Participant loans | 142,921 | 157,715 |
| Cash and cash equivalents | 671,356 | 709,771 |
| Net assets available for benefits | \$ 6,574,355 | \$ 5,633,692 |

See accompanying notes.

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Reckson 401(k) Plan

Statement of Changes in Net Assets Available for Benefits

Year ended December 31, 2004

Additions:

Additions to net assets attributed to:

| | |
|---|------------|
| Net realized and unrealized appreciation in fair value of investments (<i>Note 3</i>) | \$ 660,834 |
| Interest and dividends | 150,435 |
| Employer contributions | 155,851 |
| Participant contributions | 1,103,985 |
| | <hr/> |
| Total additions | 2,071,105 |

Deductions:

Benefits paid to participants

| | |
|--|-------------|
| | <hr/> |
| | (1,130,442) |

| | |
|---|---------|
| Net increase in net assets available for benefits | 940,663 |
|---|---------|

Net assets available for benefits:

| | |
|-----------------------|-----------|
| Beginning of the year | 5,633,692 |
| | <hr/> |

| | |
|-------------|--------------|
| End of year | \$ 6,574,355 |
| | <hr/> |

See accompanying notes.

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Reckson 401(k) Plan

Notes To Financial Statements

December 31, 2004

1. Description of the Plan

The following description of the Reckson 401(k) Plan (the "Plan") provides only general information. Participants should refer to the Plan agreement for a more complete description of the Plan's provisions.

General

The Plan was created on January 1, 2001 for the purpose of providing eligible employees of Reckson Management Group, Inc. (the "Employer") and its related companies (collectively, the "Affiliates") that participate in the Plan (collectively, the "Participating Employers") with an opportunity to increase their savings on a tax-favored basis. Shares of the common stock of Reckson Associates Realty Corp. ("Reckson") are among the investment options offered to participants pursuant to the Plan.

The Plan is a defined contribution plan sponsored by the Employer covering all eligible full-time employees of the Participating Employers who have completed three months of service and are age twenty-one or older. Prior to January 1, 2004, an employee was considered an eligible participant upon the completion of six months of service and was age twenty-one or older.

The following Participating Employers participated in the Plan during the years ended December 31, 2004 and 2003:

Reckson Management Group, Inc.

Reckson Construction and Development LLC
(successor to Reckson Construction Group, Inc.)

RANY Management Group, Inc.

The Plan is subject to the provisions of the Employee Retirement Income Security Act of 1974 ("ERISA").

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Reckson 401(k) Plan

Notes To Financial Statements (continued)

1. Description of the Plan (continued)

Contributions

During calendar years prior to 2004, participants were able to contribute up to 15 % of pretax annual compensation, as defined in the Plan. Commencing January 1, 2004, participants may contribute up to 30% of their pretax annual cash compensation and up to 15% of their pretax cash bonus, as defined in the Plan. Participants may also roll over amounts representing distributions from other qualified benefit or defined contribution plans. In addition, the Plan permits individuals who are at least age 50 before the end of the calendar year to make a catch-up contribution. Participants direct the investment of their contributions into various investment options offered by the Plan. As of December 31, 2004, the Plan offered 13 mutual funds and the common stock of Reckson as investment options for participants. Additional discretionary matching contributions may be contributed at the option of the Participating Employers. Contributions are subject to certain limitations.

The aggregate of all employee contributions are subject to the limitations of the Internal Revenue Code (the "Code"). Limitations on total contributions made by an employee during the Plan years of 2004 and 2003 were \$13,000 and \$12,000, respectively. Limitations on total catch-up contributions during the Plan years of 2004 and 2003 were \$3,000 and \$2,000, respectively.

Employer contributions are based on a discretionary amount determined by the Participating Employer's management. Commencing with the calendar year beginning January 1, 2004, the Participating Employers have elected to match 50% to eligible participant deferral contributions of up to 3% of their annual compensation, as defined, and up to an aggregate of \$1,000 per employee per year. During the year ended December 31, 2004, the Participating Employers contributed \$155,851 to the Plan, of which approximately \$1,100 was forfeited by Participants who failed to meet the Plan's vesting requirements. Pursuant to the terms of the Plan, such forfeited amounts will be used by the Participating Employers to offset future Plan expenses and Employer contributions.

Participant Accounts

Each participant's account is credited with the participant's contributions and allocations of Plan earnings, and charged with an allocation of the Plan's administrative expenses, if not paid by the Participating Employers. Allocations are based on participant earnings or account balances, as defined. The benefit to which a participant is entitled is the benefit that can be provided from the participant's vested account. During the years ended December 31, 2004 and 2003, the Participating Employers paid 100% of the Plan's administrative expenses aggregating approximately \$16,000 and \$15,000, respectively.

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Reckson 401(k) Plan

Notes To Financial Statements (continued)

1. Description of the Plan (continued)

Vesting

Participants are immediately 100% vested in their contributions and earnings thereon. Additionally, a participant is eligible for employer matching contributions, if any, after one year of credited service, which then vests ratably based on five years of credited service.

Participant Loans

Participants may generally borrow from their accounts up to 50 percent of their vested account balance. The loans are secured by the balance in the participant's account and bear interest at the U.S. prime lending rate plus one-half percentage point.

Plan Termination

Although it has not expressed any intent to do so, the Participating Employers have the right under the Plan to terminate the Plan subject to the provisions of ERISA. In the event of Plan termination, participants will become 100 percent vested in their accounts.

Payment of Benefits

On termination of service, a participant may elect to receive a lump-sum amount equal to the value of the participant's vested interest in his or her account.

2. Summary of Significant Accounting Policies

The financial statements of the Plan are prepared under the accrual basis of accounting in accordance with U.S. generally accepted accounting principles.

Investment Valuation and Income Recognition

The Plan's investments are stated at fair value. Quoted market prices are used to value investments. Shares of mutual funds are valued at the net asset value of shares held by the Plan at year-end. The participant loans are valued at their outstanding balances, which approximate fair value.

Purchases and sales of securities are recorded on a trade-date basis. Dividends are recorded on the ex-dividend date.

[Back to Contents](#)**Reckson 401(k) Plan****Notes To Financial Statements (continued)****Use of Estimates**

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that effect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

3. Investments

The following investments represent 5% or more of the Plan's net assets available for benefits at December 31, 2004 and 2003:

| | December 31, | |
|--|---------------------|--------------|
| | 2004 | 2003 |
| Growth Fund of America | \$ 1,686,631 | \$ 1,518,473 |
| Reckson Associates Realty Corp. □ Common Stock | 684,811 | 495,458 |
| MFS International New Discovery Fund | 906,400 | 699,227 |
| BlackRock Index Equity Fund □ Class A | 469,850 | 340,852 |
| Federated U.S. Government Bond Fund | * | 335,695 |
| AIM Technology Fund | * | 317,490 |
| American Balanced Fund | 565,543 | 519,934 |

* Investment was less than 5% of the Plan's net assets available for benefits.

During the year ended December 31, 2004, the investments of the Plan appreciated in fair value as follows:

| | |
|---|-------------------|
| BlackRock Money Market Fund | \$ 4,741 |
| Federated US Government Bond Fund | 4,941 |
| Growth Fund of America | 175,775 |
| American Century International Growth Fund | 25,838 |
| Reckson Associates Realty Corp. □ Common Stock | 176,700 |
| FrontLine Capital Group □ Common Stock | 96 |
| MFS International New Discovery Fund | 132,188 |
| BlackRock Index Equity Fund □ Class A | 36,085 |
| Cohen & Steers Realty Shares | 5,138 |
| Royce Low Price Stock | 1,269 |
| Janus Advisor Capital Fund | 27,591 |
| AIM Technology Fund | 7,538 |
| MFS Value Fund | 14,730 |
| American Balanced Fund | 22,459 |
| Fidelity Advisor Mid-cap Fund | 23,709 |
| AIM Global Healthcare Fund | 2,036 |
| Net realized and unrealized appreciation in fair value of investments | \$ 660,834 |

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Reckson 401(k) Plan

Notes To Financial Statements (continued)

4. Related Party Transactions

During the years ended December 31, 2004 and 2003, the Plan received \$34,441 and \$34,063, respectively, in common stock dividends from Reckson.

5. Risks and Uncertainties

The Plan invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect participants' account balances and the amounts reported in the statements of net assets available for benefits

6. Income Tax Status

The underlying non-standardized prototype plan, from which the Plan is based on, has received an opinion letter from the Internal Revenue Service ("IRS") dated November 19, 2001 stating that the form of the plan is qualified under Section 401 of the Code, and therefore, the related trust is tax exempt. In accordance with Revenue Procedure 2002-6 and Announcement 2001-77, the Plan Sponsor has determined that it is eligible to and has chosen to rely on the current IRS prototype plan opinion letter. Once qualified, the Plan is required to operate in conformity with the Code to maintain its qualification. The Plan Administrator believes the Plan is being operated in compliance with the applicable requirements of the Code and, therefore, believes that the Plan is qualified and the related trust is tax exempt.

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Supplemental Schedule

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Reckson 401(k) Plan

Schedule H, Line 4(i) Assets (Held at End of Year)

December 31, 2004

| Investment | Fair Market Value |
|---|------------------------------|
| Federated U.S. Government Bond Fund | \$ 289,815 |
| Growth Fund of America | 1,686,631 |
| American Century International Growth Fund | 205,507 |
| Reckson Associates Realty Corp. □ Common Stock* | 684,811 |
| MFS International New Discovery Fund | 906,400 |
| BlackRock Index Equity Fund □ Class A* | 469,850 |
| Janus Advisor Capital Fund | 178,840 |
| AIM Technology Fund | 328,296 |
| American Balanced Fund | 565,543 |
| Fidelity Advisor Mid-cap Fund | 203,165 |
| MFS Value Fund | 106,539 |
| Cohen & Steers Realty Shares | 31,925 |
| AIM Global Health Care Fund | 30,618 |
| Royce Low Price Stock | 48,093 |
| FrontLine Capital Group □ Common Stock | 153 |
| | <hr/> |
| | \$ 5,736,186 |
| | <hr/> |
| Loans to participants at per annum interest rates ranging between 4.50% and 8.75%. | \$ 142,921 |
| | <hr/> |

(*) Indicates party-in-interest to the Plan.

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Reckson 401(k) Plan

Exhibits

23.0 Consent of Independent Registered Public Accounting Firm

SIGNATURES

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

Reckson 401(k) Plan

By: Reckson Management Group, Inc.,
as Plan Administrator

Date: June 24, 2005

By: /s/ Michael Maturo
Michael Maturo
Executive Vice President, Treasurer
And Chief Financial Officer of
Reckson Associates Realty Corp.
