YELP INC
Form 4
September 03, 2013

FORM 4

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

OMB APPROVAL

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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 *
Levine Jeremy S.

(Last) (First) (Middle)

C/O BESSEMER VENTURE PARTNERS, 1865 PALMER AVENUE, SUITE 104

(Street)

LARCHMONT, NY 10538

(City) (State) (Zip)

2. Issuer Name **and** Ticker or Trading Symbol
YELP INC [YELP]

3. Date of Earliest Transaction (Month/Day/Year)
08/29/2013

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

5. Relationship of Reporting Person(s) to Issuer

(Check all applicable)

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

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

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 Indirect Beneficial Ownership (Instr. 4)
			Code	V	Amount	(A) or (D)	Price			
Class A Common Stock	08/29/2013		C [(1)]		0 [(2)]	A	$ 0 [(1)]	0 [(2)]	I	See footnotes [(3)] [(4)]
Class A Common Stock	08/29/2013		S		0 [(2)]	D	$ 0 [(2)]	489,656	D [(3)] [(4)]	
Class A Common Stock	08/30/2013		C [(1)]		0 [(5)]	A	$ 0 [(1)]	0 [(5)]	I	See footnotes [(4)] [(6)]
Class A	08/30/2013		S		0 [(5)]	D	$ 0	489,656	D [(4)] [(6)]	

Common Stock	(5)

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)

1. Title of Derivative Security (Instr. 3)	2. Conversion or Exercise Price of Derivative Security	3. Transaction Date (Month/Day/Year)	3A. Deemed Execution Date, if any (Month/Day/Year)	4. Transaction Code (Instr. 8)		5. Number of Derivative Securities Acquired (A) or Disposed of (D) (Instr. 3, 4, and 5)		6. Date Exercisable and Expiration Date (Month/Day/Year)		7. Title and Amount of Underlying Securities (Instr. 3 and 4)		8. Price of Derivative Security (Instr. 5)
				Code	V	(A)	(D)	Date Exercisable	Expiration Date	Title	Amount or Number of Shares	
Class B Common Stock	(1)	08/29/2013		C			0 (2)	(1)	(1)	Class A Common Stock	0 (2)	$ 0 (1)
Class B Common Stock	(1)	08/30/2013		C			0 (5)	(1)	(1)	Class A Common Stock	0 (5)	$ 0 (1)

Reporting Owners

Reporting Owner Name / Address	Relationships			
	Director	10% Owner	Officer	Other
Levine Jeremy S. C/O BESSEMER VENTURE PARTNERS 1865 PALMER AVENUE, SUITE 104 LARCHMONT, NY 10538	X			

Signatures

/s/ J. Edmund Colloton, Attorney-in-fact	09/03/2013
**Signature of Reporting Person	Date

Explanation of Responses:

*	If the form is filed by more than one reporting person, *see* Instruction 4(b)(v).
**	Intentional misstatements or omissions of facts constitute Federal Criminal Violations. *See* 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).
(1)	Each share of Class B Common Stock is convertible at any time at the option of the Reporting Person into one share of Class A Common Stock and has no expiration date. All Class A Common Stock and Class B Common Stock will convert automatically into a single class of Common Stock on the earlier of (i) the date on which the number of outstanding shares of Class B Common Stock represents less than 10% of the aggregate combined number of outstanding shares of Class A Common Stock and Class B Common Stock and (ii) seven years following the effective date of the Issuer's initial public offering. In addition, each share of Class B Common Stock will convert automatically into one share of Class A Common Stock (i) upon any transfer, whether or not for value (subject to certain exceptions), or (ii) in the event of the death or disability (as defined in the amended and restated certificate of incorporation of the Issuer) of the Reporting Person.
(2)	On August 29, 2013, Bessemer Venture Partners VI, L.P. ("BVP VI") sold 810,811 shares, Bessemer Venture Partners Co-Investment LP ("BVP Co-Investment") sold 286,455 shares and Bessemer Venture Partners VI Institutional L.P. ("BVP Institutional," and together with BVP VI and BVP Co-Investment, the "Funds") sold 19,537 shares at the weighted average sale price of $53.8864 (the "August 29 Fund Sales").
(3)	After the August 29 Fund Sales, BVP VI owned 97,049 shares, BVP Co-Investment owned 34,287 shares, and BVP Institutional owned 2,337 shares of Class B Common Stock.
(4)	Mr. Levine is a managing member of Deer Management Co. LLC, the management company affiliate of the Funds. Mr. Levine disclaims beneficial ownership of the securities sold by the Funds and this report shall not be deemed an admission that such Reporting Person is the beneficial owner of such securities, except to the extent of his pecuniary interest therein, if any, by virtue of his interest in Deer VI, the general partner of each of the Funds, and his indirect limited partnership interest in BVP Co-Investment.
(5)	On August 30, 2013, BVP VI sold 97,049 shares, BVP Co-Investment sold 34,287 shares and BVP Institutional sold 2,337 shares at the weighted average sale price of $53.0746 (the "August 30 Fund Sales").
(6)	After the August 30 Fund Sales, BVP VI owned no shares, BVP Co-Investment owned no shares, and BVP Institutional owned no shares of Class B Common Stock.

Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, *see* Instruction 6 for procedure.
Potential persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB number. TATEMENTS MARCH 31, 2002 (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 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 March 31, 2002, the Company's ownership percentage in the Operating Partnership was approximately 88.4%. 2. BASIS OF PRESENTATION The accompanying consolidated financial statements include the consolidated financial position of the Company and the Operating Partnership at March 31, 2002 and December 31, 2001 and the results of their operations and their cash flows for the three months ended March 31, 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 results of the service companies currently conducted by Reckson Management Group, Inc., RANY Management Group, Inc. and Reckson Construction Group, Inc., in which the Operating Partnership owns a non-controlling interest are reflected in the accompanying financial statements on the equity method of accounting. The Operating Partnership also invests in real estate joint ventures where it may own less than a controlling interest.

Such investments are also reflected in the accompanying financial statements on the equity method of accounting. All significant intercompany balances and transactions have been eliminated in the consolidated financial statements. Limited partners' minority interest at March 31, 2002 represent an approximate 11.6% limited partnership minority interest in the Operating Partnership. Minority partners' interests in consolidated partnerships represent a 49% interest in RT Tri-State LLC, owner of an eight property suburban office portfolio, a 40% interest in Omni Partners, L.P., owner of a 575,000 square foot suburban office property and beginning December 21, 2001, a 49% interest in Metropolitan 919 Third Avenue, LLC, owner of the property located at 919 Third Avenue, New York, NY. 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 March 31, 2002 and for the three month periods ended March 31, 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. 5 The Company intends to qualify as a REIT under Section 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 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. Statement No. 144 is effective for fiscal years beginning after December 15, 2001. 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. Certain prior period amounts have been reclassified to conform to the current period presentation. 3. MORTGAGE NOTES PAYABLE As of March 31, 2002, the Company had approximately $748.6 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 7.3%. 4. SENIOR UNSECURED NOTES As of March 31, 2002, the Operating Partnership had outstanding approximately $449.5 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 (dollars in thousands): FACE ISSUANCE AMOUNT COUPON RATE TERM MATURITY ---------------- ---------- ---------- -------- -------------- August 27, 1997 $ 150,000 7.20% 10 years August 28, 2007 March 26, 1999 $ 100,000 7.40% 5 years March 15, 2004 March 26, 1999 $ 200,000 7.75% 10 years March 15, 2009 Interest on the Senior Unsecured Notes is payable semiannually with principal and unpaid interest due on the scheduled maturity dates. In addition, the Senior Unsecured Notes issued on March 26, 1999 were issued at an aggregate discount of $738,000. Such discount is being amortized over the term of the Senior Unsecured Notes to which they relate. 6 5. UNSECURED CREDIT FACILITY As of March 31, 2002, the Company had a three year $575 million unsecured revolving credit facility (the "Credit Facility") from The Chase Manhattan Bank, as administrative agent, UBS Warburg LLC as syndication agent and Deutsche Bank as documentation agent. 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 purposes. At March 31, 2002, the Company had availability under the Credit Facility to borrow an additional $358.0 million (of which, approximately $25.9 million has been allocated for outstanding undrawn letters of credit), subject to compliance with certain financial covenants. 6. COMMERCIAL

REAL ESTATE INVESTMENTS As of March 31, 2002, the Company owned and operated 77 office properties (inclusive of eleven office properties owned through joint ventures) comprising approximately 13.8 million square feet, 102 industrial properties comprising approximately 6.8 million square feet and two retail properties comprising approximately 20,000 square feet located in the Tri-State Area. The Company also owns approximately 254 acres of land in 12 separate parcels of which the Company can develop approximately two million square feet of office space and approximately 450,000 square feet of industrial space. On April 1, 2002, the Company paid approximately $23.8 million to acquire an additional 52.7 acres of land located in Valhalla, NY on which the Company can develop approximately 875,000 square feet of office space. The Company financed this acquisition in part from the sales proceeds of an office property being held by a qualified intermediary for the purposes of an exchange of real property pursuant to Section 1031 of the Internal Revenue Code of 1986 and from an advance under the Credit Facility. In addition, the Company owns a 32 acre land parcel in Rye Brook, NY which is under contract for sale for approximately $22.3 million. The closing is scheduled to occur during 2002. The Company also owns a 357,000 square foot office building in Orlando, Florida and has invested approximately $17.0 million 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 $36.5 million under three notes 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. 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 sale were used primarily to repay borrowings under the Credit Facility and for working capital purposes. In addition, the Company has entered into a contract to sell, for approximately $18.5 million, two Class A office properties located in Westchester County, NY aggregating approximately 157,000 square feet. The closing is scheduled to occur during the second quarter of 2002. 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 the three months ended March 31, 2002, approximately 11,303 Series B preferred units of the Operating Partnership, with a liquidation preference value of approximately $11.3 million, were exchanged for 451,934 OP Units at a price of $25.01 per OP Unit. The Company currently has issued and outstanding 10,283,513 shares of Class B Exchangeable Common Stock, par value $.01 per share (the "Class B common stock"). The shares of Class B common stock currently receive an annual dividend of $2.5968 per share, which 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. 7 The shares of Class B common stock are exchangeable at any time, at the option of the holder, into an equal number of shares of Class A common stock, par value $.01 per share, of the Company subject to customary antidilution adjustments. The Company, at its option, may redeem any or all of the Class B common stock in exchange for an equal number of shares of the Company's Class A common stock at any time following November 23, 2003. During March 2002, the Board of Directors of the Company declared the following dividends on the Company's securities: ANNUALIZED DIVIDEND / RECORD PAYMENT THREE MONTHS DIVIDEND / SECURITY DISTRIBUTION DATE DATE ENDED DISTRIBUTION -------- ---------------- ---- ----- ------------ Class A common stock $.4246 April 5, 2002 April 17, 2002 March 31, 2002 $1.6984 Class B common stock $.6492 April 12, 2002 April 30, 2002 April 30, 2002 $2.5968 Series A preferred stock $.4766 April 12, 2002 April 30, 2002 April 30, 2002 $1.9063 Series B preferred stock $.553125 April 12, 2002 April 30, 2002 April 30, 2002 $2.2125 The Board of Directors of the Company has authorized the purchase of up to an additional five million shares of the Company's Class B common stock and/or its Class A 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. 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 of approximately $31.7 million. In addition, the Board of Directors of the Company has formed a pricing committee to consider purchases of the Company's outstanding preferred

securities. The Company currently has 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 anytime into the Company's Class A common stock at a price of $28.51 per share. The Company currently has issued and outstanding two million shares of Series B Convertible Cumulative Preferred Stock (the "Series B preferred stock"). The Series B preferred stock is redeemable by the Company as follows: (i) on or after March 2, 2002 to and including June 2, 2003, at an amount which provides an annual rate of return in respect of 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 anytime into the Company's Class A common stock at a price of $26.05 per share. The Series B preferred stock currently accumulates dividends at a rate of 8.85% per annum. Basic net income per share on the Company's Class A common stock was calculated using the weighted average number of shares outstanding of 50,013,140 and 45,483,544 for the three months ended March 31, 2002 and 2001, respectively. Basic net income per share on the Company's Class B common stock was calculated using the weighted average number of shares outstanding of 10,283,513 for the three months ended March 31, 2002 and 2001. 8 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 A common stock (in thousands except for earnings per share data): THREE MONTHS ENDED MARCH 31, ------------------------ Numerator: 2002 2001 -------- -------- Income before dividends to preferred shareholders and income allocated to Class B shareholders .... $ 21,469 $ 26,113 Dividends to preferred shareholders .... (5,487) (5,425) Income allocated to Class B common shareholders .... (3,823) (5,380) -------- -------- Numerator for basic and diluted net income per Class A common share .... $ 12,159 $ 15,308 ======== ======== Add back: Denominator: Denominator for basic net income per share - weighted average Class A common shares .... 50,013 45,484 Effect of dilutive securities: Common stock equivalents .... 337 466 -------- -------- Denominator for diluted net income per Class A common share - adjusted weighted average shares and assumed conversions .... 50,350 45,950 ======== ======== Basic net income per Class A common share: Net income per Class A common share .... $ .24 $ .34 ======== ======== Diluted net income per Class A common share: Diluted net income per Class A common share .... $ .24 $ .33 ======== ======== 9 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 MARCH 31, 2002 2001 -------- -------- Numerator: Income before dividends to preferred shareholders and income allocated to Class A shareholders .... $ 21,469 $ 26,113 Dividends to preferred shareholders .... (5,487) (5,425) Income allocated to Class A common shareholders .... (12,159) (15,308) -------- -------- Numerator for basic net income per Class B common share .... 3,823 5,380 Add back: Income allocated to Class A common shareholders .... 12,159 15,308 Limited partner's minority interest in the operating partnership .... 1,934 2,715 -------- -------- Numerator for diluted net income per Class B common share .... $ 17,916 $ 23,403 ======== ======== Denominator: Denominator for basic net income per share - weighted average Class B common shares .... 10,284 10,284 Effect of dilutive securities: Weighted average Class A common shares outstanding .... 50,013 45,484 Weighted average OP Units outstanding .... 7,507 7,693 Common stock equivalents .... 337 466 -------- -------- Denominator for diluted net income per Class B common share-adjusted weighted average shares and assumed conversions .... 68,141 63,927 ======== ======== Basic net income per Class B common share: Net income per Class B common share .... $ .37 $ .52 ======== ======== Diluted net income per Class B common share: Diluted net income per Class B common share .... $ .26 $ .37 ======== ======== 8. SUPPLEMENTAL DISCLOSURES OF CASH FLOWS INFORMATION (in thousands) THREE MONTHS

ENDED MARCH 31, 2002 2001 -------- -------- Cash paid during the period for interest .... $ 31,219 $ 34,950 ======== ======== Interest capitalized during the period .... $ 2,607 $ 2,703 ======== ======== 10 9. SEGMENT DISCLOSURE The Company owns all of the interests in its real estate properties by or 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 because of their final authority over resource allocation, decisions and performance assessment. In addition, the Company does not consider (i) interest incurred on its Credit Facility and Senior Unsecured Notes and (ii) the operating performance of the office property located in Orlando, Florida as part of its Core Portfolio's property operating performance. The following table sets forth the components of the Company's revenues and expenses and other related disclosures for the three months ended March 31, 2002 and 2001 (in thousands): Three months ended --- March 31, 2002 March 31, 2001 --------------------------------------- ----------------------------------- Core Portfolio Other CONSOLIDATED Core Other CONSOLIDATED TOTALS Portfolio TOTALS ------------- ---------- ----------- --------- ---------- ----------- REVENUES: Base rents, tenant escalations and reimbursements .... $ 120,198 $ 2,307 $ 122,505 $ 120,722 $ 2,717 $ 123,439 Equity in earnings of real estate joint ventures and service companies .... -- 335 335 -- 398 398 Other income .... 952 1,675 2,627 549 6,500 7,049 ---------- ---------- ---------- ---------- --------- ---------- Total Revenues .... 121,150 4,317 125,467 121,271 9,615 130,886 ---------- ---------- ---------- ---------- --------- ---------- EXPENSES: Property operating expenses .... 41,420 792 42,212 40,354 640 40,994 Marketing, general and administrative .... 4,604 2,535 7,139 4,624 2,873 7,497 Interest .... 12,964 8,032 20,996 12,906 10,725 23,631 Depreciation and amortization .... 24,597 1,539 26,136 21,535 1,986 23,521 ---------- ---------- ---------- ---------- --------- ---------- Total Expenses .... 83,585 12,898 96,483 79,419 16,224 95,643 ---------- ---------- ---------- ---------- --------- ---------- Income (loss) before minority interests and preferred dividends and distributions .... $ 37,565 $ (8,581) $ 28,984 $ 41,852 $ (6,609) $ 35,243 ========== ========== ========== ========== ========== ========== Total assets .... $2,660,419 $ 254,127 $2,914,546 $2,642,468 $ 421,176 $3,063,644 ========== ========== ========== ========== ========== ========== 11 10. RELATED PARTY TRANSACTIONS During 1997, the Company formed FrontLine Capital Group, formerly Reckson Service Industries, Inc., ("FrontLine") and Reckson Strategic Venture Partners, LLC ("RSVP"). RSVP is a real estate venture capital fund which invests primarily in real estate and real estate operating companies outside the Company's core office and industrial focus and whose common equity is held indirectly by FrontLine. In connection with the formation and spin-off of FrontLine, the Operating Partnership established an unsecured credit facility with FrontLine (the "FrontLine Facility") in the amount of $100 million for FrontLine to use in its investment activities, operations and other general corporate purposes. The Company 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 March 31, 2002, approximately $109.1 million had been funded through the RSVP Commitment, of which $59.8 million represents investments by the Company in RSVP-controlled (REIT-qualified) joint ventures and $49.3 million represents loans made to FrontLine under the RSVP Facility. As of March 31, 2002, 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 Internal Revenue Code of 1986, charged off $70 million of the aforementioned reserve directly related to the FrontLine Facility, including accrued interest. On February 14, 2002, the Company 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, has insufficient cash reserves to continue operations for the next twelve months and has reported that it is currently in discussions with its creditors, including the Company, and that it may be required to seek protection from creditors under federal bankruptcy laws. FrontLine has reported that although negotiations are ongoing, it does not appear likely that a satisfactory restructuring of these obligations will be achieved. Accordingly, FrontLine has stated that it is currently considering its future options, including seeking protection from its creditors under the federal bankruptcy laws. 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 $65.0 million. Such amount has been reflected in investments in service companies and affiliate loans and joint ventures on the Company's consolidated balance sheet. Both the FrontLine Facility and the RSVP Facility have a term of five years, are unsecured and advances under each 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 FrontLines default under the FrontLine Loans, interest on borrowings thereunder accrue interest at default interest rates ranging between 13% and 14.5% per annum. 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. 12 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 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 225,000 square feet and have current contractual annual base rents of approximately $6.7 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 March 31, 2002, HQ's leases with the Company were in default under their lease terms and further, HQ petitioned the Bankruptcy Court to reject two of their leases with the Company effective March 13, 2002. The two rejected leases aggregate approximately 23,900 square feet and provided for contractual base rents of approximately $548,000 for the 2002 calendar year. In addition, commencing April 1, 2002 and pursuant to the bankruptcy filing, HQ has been paying current rental charges, other than the two leases which are being petitioned for rejection, under their leases with the Company. There can be no assurances as to whether HQ will affirm or reject the remaining leases with the Company or whether or not the Bankruptcy Court will grant HQ's petition to reject the two aforementioned leases. The Company reserved approximately $500,000 (net of minority partners' interests and including the Company's share of unconsolidated joint venture interest), or 74%, of the amounts due from HQ as of March 31, 2002. 13 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. 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 properties in the New York Tri-State area; changes in interest rate levels; downturns in rental rate levels in our markets and our ability to lease or release space in a timely manner at current or anticipated rental rate levels; the availability of financing to us or 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; 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 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 accounts receivables related to base rents, tenant escalations and reimbursements and other revenue or income. The Company specifically analyzes tenant receivables and analyzes historical bad debts, customer credit worthiness, current economic trends and changes in customer payment terms when evaluating the adequacy of its allowance for doubtful accounts. In addition, when tenants are in bankruptcy the Company makes estimates of the expected recovery of pre-petition administrative and damage claims. In some cases, the ultimate resolution of those claims can exceed beyond a year. These estimates have a direct impact on the Company's net income, because a higher bad debt reserve results in less net income. 14 The Company records interest income on investments in mortgage notes and notes receivable on an accrual basis of accounting. The Company does not accrue interest on impaired loans where, in the judgment of management, collection of interest according to the contractual terms is considered doubtful. Among the factors the Company considers in making an evaluation of the collectibility of interest are: (i) the status of the loan, (ii) the value of the underlying collateral, (iii) the financial condition of the borrower and (iv) anticipated future events. Gain on sales of real estate are recorded when title is conveyed to the buyer, subject to the buyer's financial commitment being sufficient to provide economic substance to the sale. 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 maintenance and repairs are charged 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. Long Lived Assets On a periodic basis, management assesses whether there are any indicators that the value of the real estate properties may be impaired. A property's value is impaired only if management's estimate of the aggregate future cash flows (undiscounted and without interest charges) to be generated by the property are less than the carrying value of the property. Such cash flows consider factors such as expected future operating income, trends and prospects, as well as the effects of demand, competition and other factors. To the extent impairment has occurred, the loss will be measured as the excess of the carrying amount of the property over the fair value of the property. The Company is required to make subjective assessments as to whether there are impairments in the value of its real estate properties and other investments. These assessments have a direct impact on the Company's net income, because taking an impairment results in an immediate negative adjustment to net income. In determining impairment, if any, the Company has adopted the use of Financial Accounting Standards Board Statement No. 144, Accounting for the Impairment or Disposal of Long Lived Assets. 15 OVERVIEW AND BACKGROUND The Company is a self-administered and self-managed real estate investment trust ("REIT") specializing in the acquisition, leasing, financing, management and development of office and industrial 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"). The Company owns all of the interests in its real properties through Reckson Operating Partnership, L.P. (the "Operating Partnership"). As of March 31, 2002, the Company owned and operated 77 office properties (inclusive of eleven office properties which are owned through joint ventures) comprising approximately 13.8 million square feet, 102 industrial properties comprising approximately 6.8 million square feet and two retail properties comprising approximately 20,000 square feet located in the Tri-State Area. The Company also owns approximately 254 acres of land in 12 separate parcels of which the Company can develop approximately two million square feet of office space and approximately 450,000 square feet of industrial space. On April 1, 2002, the Company paid approximately $23.8 million to acquire an additional 52.7 acres of land located in Valhalla, NY on which the Company can develop approximately 875,000 square feet of office space. The Company financed this acquisition in part from the sales proceeds of an office property being held by a qualified intermediary for the purposes of an exchange of real property pursuant to Section 1031 of the Internal Revenue Code of 1986 and from an advance under the Credit Facility. In addition, the Company owns a 32 acre land parcel in Rye Brook, NY which is under contract for sale for approximately $22.3 million. The closing is scheduled to occur during 2002. The Company also owns a 357,000 square foot office building in Orlando, Florida and has invested approximately $17.0 million 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 $36.5 million under three notes 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 part of the Company's REIT structure it is provided management, leasing and construction related services through taxable REIT subsidiaries as defined by the Internal Revenue Code of 1986. These services are currently provided by Reckson Management, Inc., RANY Management Group, Inc., and Reckson Construction Group, Inc. (collectively, the "Service Companies"). The Operating Partnership owns a 97% non-controlling interest in the Service Companies. An entity which is owned by certain executive officers of the Company owns a 3% controlling interest in the Service Companies. During July 1998, the Company formed Metropolitan Partners, LLC ("Metropolitan") for the purpose of acquiring Class A office properties in New York City. Currently the Company owns, through Metropolitan, five Class A office properties aggregating approximately 3.5 million square feet. During September 2000, the Company formed a joint venture (the "Tri-State JV") with Teachers

Insurance and Annuity Association ("TIAA") and contributed eight 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. For purposes of its financial statements the Company consolidates this joint venture. On December 21, 2001, the Company formed a joint venture with the New York State Teachers' Retirement Systems ("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. For purposes of its financial statements the Company consolidates this joint venture. In addition, the Company has entered into a contract to sell, for approximately $18.5 million, two Class A office properties located in Westchester County, NY aggregating approximately 157,000 square feet. The closing is scheduled to occur during the second quarter of 2002. 16 The market capitalization of the Company at March 31, 2002 was approximately $3.3 billion. The Company's market capitalization is based on the sum of (i) the market value of the Company's Class A common stock and common units of limited partnership interest in the Operating Partnership ("OP Units") (assuming conversion) of $24.66 per share/unit (based on the closing price of the Company's Class A common stock on March 28, 2002), (ii) the market value of the Company's Class B common stock of $25.76 per share (based on the closing price of the Company's Class B common stock on March 28, 2002), (iii) the liquidation preference value of the Company's Series A preferred and Series B preferred stock of $25 per share, (iv) the liquidation preference value of the Operating Partnership's preferred units of $1,000 per unit and (v) the approximately $1.3 billion (including its share of joint venture debt and net of minority partners' interests share of joint venture debt) of debt outstanding at March 31, 2002. As a result, the Company's total debt to total market capitalization ratio at March 31, 2002 equaled approximately 39.0%. During 1997, the Company formed FrontLine Capital Group, formerly Reckson Service Industries, Inc., ("FrontLine") and Reckson Strategic Venture Partners, LLC ("RSVP"). RSVP is a real estate venture capital fund which invests primarily in real estate and real estate operating companies outside the Company's core office and industrial focus and whose common equity is held indirectly by FrontLine. In connection with the formation and spin-off of FrontLine, the Operating Partnership established an unsecured credit facility with FrontLine (the "FrontLine Facility") in the amount of $100 million for FrontLine to use in its investment activities, operations and other general corporate purposes. The Company 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 March 31, 2002, approximately $109.1 million had been funded through the RSVP Commitment, of which $59.8 million represents investments by the Company in RSVP-controlled (REIT-qualified) joint ventures and $49.3 million represents loans made to FrontLine under the RSVP Facility. As of March 31, 2002, 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 Internal Revenue Code of 1986, charged off $70 million of the aforementioned reserve directly related to the FrontLine Facility, including accrued interest. On February 14, 2002, the Company 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, has insufficient cash reserves to continue operations for the next twelve months and has reported that it is currently in discussions with its creditors, including the Company, and that it may be required to seek protection from creditors under federal bankruptcy laws. FrontLine has reported that although negotiations are ongoing, it does not appear likely that a satisfactory restructuring of these obligations will be achieved. Accordingly, FrontLine has stated that it is currently considering its future options, including seeking protection from its creditors under the federal bankruptcy laws. 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 $65.0 million. Such amount has been reflected in investments in service companies and affiliate loans and joint ventures on the Company's consolidated balance sheet. 17 Both the FrontLine Facility and the RSVP Facility have a term of five years, are unsecured and advances under each 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 FrontLines default under the FrontLine Loans, interest on borrowings thereunder accrue interest at default interest rates ranging between 13% and 14.5% per annum. 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. 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 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 225,000 square feet and have current contractual annual base rents of approximately $6.7 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 March 31, 2002, HQ's leases with the Company were in default under their lease terms and further, HQ petitioned the Bankruptcy Court to reject two of their leases with the Company effective March 13, 2002. The two rejected leases aggregate approximately 23,900 square feet and provided for contractual base rents of approximately $548,000 for the 2002 calendar year. In addition, commencing April 1, 2002 and pursuant to the bankruptcy filing, HQ has been paying current rental charges, other than the two leases which are being petitioned for rejection, under their leases with the Company. There can be no assurances as to whether HQ will affirm or reject the remaining leases with the Company or whether or not the Bankruptcy Court will grant HQ's petition to reject the two aforementioned leases. The Company reserved approximately $500,000 (net of minority partners' interests and including the Company's share of unconsolidated joint venture interest), or 74%, of the amounts due from HQ as of March 31, 2002. 18 RESULTS OF OPERATIONS Three months ended March 31, 2002 as compared to the three months ended March 31, 2001. The Company's total revenues decreased by $5.4 million or 4.1% for the three months ended March 31, 2002 as compared to the 2001 period. Property operating revenues, which include base rents and tenant escalations and reimbursements ("Property Operating Revenues") decreased by $934,000 or .8% for the three months ended March 31, 2002 as compared to the 2001 period. The change in Property Operating Revenues is primarily attributable to increases in rental rates in our "same store" properties amounting to $5.6 million. In addition, $1.9 million of the increase was generated by lease up of newly developed and redeveloped properties. These increases in Property Operating Revenues were offset by $4.2 million of revenue attributable to six properties that were sold in 2001. The Company's base rent reflects the positive impact of the straight-line rent adjustment of $8.7 million for the three months ended March 31, 2002 as compared to $11.2 million for the 2001 period. Included in the $8.7 million straight-line rent adjustment is $5.3 million attributable to 919 Third Avenue as compared to $7.5 million for the 2001 period. This amount is primarily attributable to the free rent period, which was effective through

February 28, 2002, contained in the lease of the largest tenant in the building. Other revenues (excluding Property Operating Revenues) decreased by $4.5 million or 60.2% for the three months ended March 31, 2002 as compared to the 2001 period. This decrease is primarily attributable to $4.6 million of interest income accrued on the FrontLine Loans during the 2001 period with no such comparable interest accrual for the 2002 period. Property operating expenses, real estate taxes and ground rents ("Property Expenses") increased by $1.2 million or 3.0% for the three months ended March 31, 2002 as compared to the 2001 period. This increase is primarily due to $2.8 million of property operating expense increases of which $1.5 million related to our "same-store" properties including $0.9 million attributable to an increase in real estate taxes. These increases in Property Expenses were offset by $1.6 million of expenses attributable to six properties that were sold in 2001. Gross Operating Margins (defined as Property Operating Revenues less Property Expenses, taken as a percentage of Property Operating Revenues) for the three months ended March 31, 2002 and 2001 were 65.5% and 66.8%, respectively. The decrease in Gross Operating Margins is primarily attributable to decreases in average occupancy of the portfolio. Marketing, general and administrative expenses decreased by approximately $358,000 for 4.8% or the three months ended March 31, 2002 as compared to the 2001 period. The decrease in marketing, general and administrative expenses is primarily due to staff reduction and cost containment. Marketing, general and administrative expenses, as a percentage of total revenues, were 5.7% for the three month periods ended March 31, 2002 and 2001. Interest expense decreased by approximately $2.6 million for the three months ended March 31, 2002 as compared to the 2001 period. The decrease was primarily attributable to a decrease in interest expense on the Company's variable rate debt due to lower interest rates and a lower average balance outstanding on the Company's Credit Facility. The weighted average balance outstanding was $205.5 million for the three months ended March 31, 2002 as compared to $254.4 million for the three months ended March 31, 2001. 19 LIQUIDITY AND CAPITAL RESOURCES As of March 31, 2002, the Company had a three year $575 million unsecured revolving credit facility (the "Credit Facility") from The Chase Manhattan Bank, as administrative agent, UBS Warburg LLC as syndication agent and Deutsche Bank as documentation agent. 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 purposes. At March 31, 2002, the Company had availability under the Credit Facility to borrow an additional $358.0 million (of which, approximately $25.9 million has been allocated for outstanding undrawn letters of credit), subject to compliance with certain financial covenants. During the three months ended March 31, 2002, approximately 11,303 Series B preferred units of limited partnership interest in the Operating Partnership, with a liquidation preference value of approximately $11.3 million, were exchanged for 451,934 OP Units at a price of $25.01 per OP Unit. The Company has entered into a contract to sell, for approximately $18.5 million, two Class A office properties located in Westchester County, NY aggregating approximately 157,000 square feet. The closing is scheduled to occur during the second quarter of 2002. In addition, the Company owns a 32 acre land parcel in Rye Brook, NY which is under contract for sale for approximately $22.3 million. The closing is scheduled to occur during 2002. The following table sets forth the Company's invested capital (before valuation reserves) in RSVP controlled (REIT-qualified) joint ventures and amounts which were advanced under the RSVP Commitment to FrontLine, for its investment in RSVP controlled investments (in thousands): RSVP controlled joint ventures Amounts advanced Total --------------- --------------- -------- Privatization $ 21,480 $ 3,520 $ 25,000 Student Housing 18,086 3,935 22,021 Medical Offices 20,185 -- 20,185 Parking -- 9,091 9,091 Resorts -- 8,057 8,057 Net leased retail -- 3,180 3,180 Other assets and overhead -- 21,598 21,598 -------- -------- -------- $ 59,751 $ 49,381 $109,132 ======== ======== ======== Included in these investments is approximately $17.9 million of cash that has been contributed to the respective RSVP controlled joint ventures or advanced under the RSVP Commitment to FrontLine and is being held, along with cash from the preferred investors. The Company currently has issued and outstanding 10,283,513 shares of Class B Exchangeable Common Stock, par value $.01 per share (the "Class B common stock"). The shares of Class B common stock currently receive an annual dividend of $2.5968 per share, which is subject to adjustment annually based on a formula which measures increases or decreases in the Company's Funds From Operations ("FFO"), as defined, over a base year. Accordingly, to the extent FFO for the twelve month period ending June 30, 2002 is less than the FFO for same period ended June 30, 2001, the dividend rate on the Class B common stock will be reduced pursuant to the Articles Supplementary under which the Class B common stock was issued. The shares of Class B common stock are exchangeable at any time, at the option of the holder, into an equal number of shares of Class A common stock, par value $.01 per share, of the Company subject to customary

antidilution adjustments. The Company, at its option, may redeem any or all of the Class B common stock in exchange for an equal number of shares of the Company's Class A common stock at any time following November 23, 2003. The Board of Directors of the Company has authorized the purchase of up to an additional five million shares of the Company's Class B common stock and/or its Class A 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. Previously, under the Company's prior stock buy-back program, the Company purchased and retired 1,410,804 shares of Class B common stock at an average price of $21.48 per Class B share and 61,704 shares of Class A common stock at an average price of $23.03 per Class A share for an aggregate purchase price of approximately $31.7 million. In addition, the Board of Directors of the Company has formed a pricing committee to consider purchases of the Company's outstanding preferred securities. 20 The Company's indebtedness at March 31, 2002 totaled approximately $1.3 billion (including its share of joint venture debt and net of minority partners' interests share of joint venture debt) and was comprised of $217 million outstanding under the Credit Facility, approximately $449.5 million of senior unsecured notes and approximately $612.7 million of mortgage indebtedness. Based on the Company's total market capitalization of approximately $3.3 billion at March 31, 2002 (calculated based on the sum of (i) the market value of the Company's Class A common stock and OP Units, assuming conversion, (ii) the market value of the Company's Class B common stock, (iii) the liquidation preference value of the Company's preferred stock, (iv) the liquidation preference value of the Operating Partnership's preferred units and (v) the $1.3 billion of debt), the Company's debt represented approximately 39.0% of its total market capitalization. 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 March 31, 2002 (in thousands): MATURITY DATE --- 2002 2003 2004 2005 2006 Thereafter Total ---------- ---------- ---------- ---------- ---------- ---------- ---------- Mortgage notes payable(1) $ 8,576 $ 12,300 $ 13,169 $ 14,167 $ 13,785 $ 131,831 $ 193,828 Mortgage notes payable(2) -- -- 2,616 18,553 129,920 403,674 554,763 Senior unsecured notes -- -- 100,000 -- -- 350,000 450,000 Unsecured credit facility -- 217,000 -- -- -- -- 217,000 Land lease obligations 2,015 2,687 2,811 2,814 2,795 49,921 63,043 Air rights lease obligations 276 369 379 379 379 4,658 6,440 ---------- ---------- ---------- ---------- ---------- ---------- ---------- $ 10,867 $ 232,356 $ 118,975 $ 35,913 $ 146,879 $ 940,084 $1,485,074 ========== ========== ========== ========== ========== ========== ========== (1) Scheduled principal amortization payments (2) Principal payments due at maturity 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 March 31, 2002, the Company had approximately $24.4 million and $1.5 million in outstanding undrawn standby letters of credit issued under the Credit Facility which expire in 2002 and 2003, respectively. Thirteen of the Company's office properties and two of the Company's industrial properties which were acquired by the issuance of OP Units are subject to agreements limiting the Company's ability to transfer them prior to agreed upon dates without the consent of the limited partner who transferred the respective property to the Company. In the event the Company transfers any of these properties prior to the expiration of these limitations, the Company may be required to make a payment relating to taxes incurred by the limited partner. The limitations on nine of the properties expire prior to June 30, 2003. The limitations on the remaining properties expire between 2007 and 2013. Eleven of the Company's office properties are held in joint ventures which contain certain limitations on transfer. These limitations include requiring the consent of the joint venture partner to transfer a property prior to various specified dates ranging from 2003 to 2005, rights of first offer, and buy/sell provisions. Historically, rental revenue has been the principal source of funds to pay operating expenses, debt service and capital expenditures, excluding non-recurring capital expenditures of the Company. The Company expects to meet its short-term liquidity requirements generally through its net cash provided by operating activities along with the Credit Facility previously discussed. The Credit Facility contains several financial covenants with which the Company must be in compliance in order to borrow funds thereunder. 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. In addition, the Company also believes that it will, from time to time, generate funds from the disposition of certain of its real estate properties or interests therein. The Company will refinance existing mortgage indebtedness or indebtedness

under the Credit Facility at maturity or retire such debt through the issuance of additional debt securities or additional equity securities. The Company anticipates that the current balance of cash and cash equivalents and cash flows from operating activities, together with cash available from borrowings and equity offerings, will be adequate to meet the capital and liquidity requirements of the Company in both the short and long-term. 21 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, vacancy rates in our markets have been trending higher and in some instances our asking rents in our markets have been trending lower. Additionally, due to the events of September 11th, the Company anticipates higher operating expenses as they relate to certain insurance coverage and security measures. 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. INFLATION The office leases generally provide for fixed base rent increases or indexed escalations. In addition, the office leases provide for separate escalations of real estate taxes, operating expenses and electric costs over a base amount. The industrial leases generally provide for fixed base rent increases, direct pass through of certain operating expenses and separate real estate tax escalations over a base amount. The Company believes that inflationary increases in expenses will be offset by contractual rent increases and expense escalations described above. 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. 22 FUNDS FROM OPERATIONS Management believes that funds from operations ("FFO") is an appropriate measure of performance of an equity REIT. FFO is defined by the National Association of Real Estate Investment Trusts ("NAREIT") as net income or loss, excluding gains or losses from debt restructuring and sales of properties plus depreciation and amortization, and after adjustments for unconsolidated partnerships and joint ventures. FFO does not represent cash generated from operating activities in accordance with accounting principles generally accepted in the United States ("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. 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, except per share/unit data): THREE MONTHS ENDED MARCH 31, ------------------------ 2002 2001 ------- ------- Net income available to common shareholders .... $15,982 $20,688 Adjustments for basic funds from operations: Add: Limited partners' minority interest in the operating partnership .... 1,934 2,715 Real estate depreciation and amortization .... 25,321 22,988 Minority partners' interests in consolidated partnerships .... 5,120 5,755 Less: Gain on sales of real estate .... 537 -- Amounts distributable to minority partners in consolidated partnerships .... 6,563 5,701 ------- ------- Basic Funds From Operations ("FFO") .... 41,257 46,445 Add: Dividends and distributions on dilutive shares and units .... 5,948 7,679 ------- ------- Diluted FFO .... $47,205 $54,124 ======= ======= Weighted average common shares outstanding .... 60,297 55,767 Weighted average units of limited partnership interest outstanding .... 7,507 7,693 ------- ------- Basic weighted average common shares and units outstanding .... 67,804 63,460 Adjustments for dilutive FFO weighted average shares and units outstanding: Add: Weighted average common stock equivalents .... 337 466 Weighted average shares of Series A Preferred Stock .... 8,060 8,060 Weighted average shares of Series B Preferred Stock .... 1,919 1,919 Weighted average shares of minority partners preferred interest .... -- 3,454 Weighted average shares of preferred limited partnership interest .... 993 1,367 ------- ------- Dilutive FFO weighted average shares and units outstanding .... 79,113 78,726 ======= ======= 23 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. 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 March 31, 2002 (dollars in thousands): For the Year Ended December 31, --- 2002 2003 2004 2005 2006 Thereafter Total(1) FMV -- Long term debt: Fixed rate .... $ 8,576 $ 12,300 $ 115,785 $ 32,720 $ 143,705 $ 885,505 $1,198,591 $1,218,164 Weighted average Interest rate..... 7.52% 7.51% 7.47% 6.92% 7.38% 7.34% 7.35% Variable rate....... $ -- $217,000 $ -- $ -- $ -- $ -- $ 217,000 $ 217,000 Weighted average Interest rate..... -- 3.05% -- -- -- -- 3.05% (1) Includes unamortized issuance discounts of approximately $516 on the 5 and 10-year senior unsecured notes issued on March 26, 1999 which are due at maturity. In addition, a one percent increase in the LIBOR rate would have an approximate $2.2 million annual increase in interest expense based on $217.0 million of variable rate debt outstanding at March 31, 2002. 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 March 31, 2002 (dollars in thousands): For the Year Ended December 31, --- 2002 2003 2004 2005 2006 Thereafter Total(1) FMV -- Mortgage notes and notes receivable: Fixed rate......... $ 1,161 $ -- $ 36,500 $ -- $ -- $ 16,990 $ 54,651 $ 55,903 Weighted average Interest rate..... 9.0% -- 10.23% -- -- 11.90% 10.72% (1) Excludes interest receivables aggregating approximately $1,059. 24 NON-INCREMENTAL REVENUE GENERATING CAPITAL EXPENDITURES, TENANT IMPROVEMENT COSTS AND LEASING COMMISSIONS The following table summarizes the expenditures incurred for capital expenditures for the entire portfolio and tenant improvements and leasing commissions for space leased at the Company's office and industrial properties for the years 1998 through 2001 and the three months ended March 31, 2002. NON-INCREMENTAL REVENUE GENERATING CAPITAL EXPENDITURES Average 1998 1999 2000 2001 1998-2001 1Q02 -------------- --------------- -------------- -------------- --------------- -------------- Suburban Office Properties Total $2,004,976 $2,298,899 $3,289,116 $4,606,069 $3,049,765 $1,252,454 Per Square Foot 0.23 0.23 0.33 0.31 $0.12 0.45 NYC Office Properties Total N/A N/A $946,718 $1,584,501 $1,265,610 $147,258 Per Square Foot N/A N/A 0.38 0.42 $0.04 0.45 Industrial Properties Total $1,205,266 $1,048,688 $813,431 $711,666 $944,763 $112,022 Per Square Foot 0.12 0.11 0.11 0.11 $0.02 0.11 NON-INCREMENTAL REVENUE GENERATING TENANT IMPROVEMENTS AND LEASING COMMISSIONS 1998 1999 2000 2001 --------------- -------------- -------------- --------------- Long Island Office Properties Tenant Improvements $1,140,251 $1,009,357 $2,853,706 $2,722,457 Per Square Foot Improved 3.98 4.73 6.99 8.47 Leasing Commissions $418,191 $551,762 $2,208,604 $1,444,412 Per Square Foot Leased 1.46 2.59 4.96 4.49 --------------- -------------- -------------- --------------- Total Per Square Foot $5.44 $7.32 $11.95 $12.96 =============== ============== ============== =============== Westchester Office Properties Tenant Improvements $711,160 $1,316,611 $1,860,027 $2,584,728 Per Square Foot Improved 4.45 5.62 5.72 5.91 Leasing Commissions $286,150 $457,730 $412,226 $1,263,012 Per Square Foot Leased 1.79 1.96 3.00 2.89 --------------- -------------- -------------- --------------- Total Per Square Foot $6.24 $7.58 $8.72 $8.80 =============== ============== ============== =============== Connecticut Office Properties Tenant Improvements $202,880 $179,043 $385,531 $213,909 Per Square Foot Improved 5.92 4.88 4.19 1.46 Leasing Commissions $151,063 $110,252 $453,435 $209,322 Per Square Foot Leased 4.41 3.00 4.92 1.43 --------------- -------------- -------------- --------------- Total Per Square Foot $10.33 $7.88 $9.11 $2.89 =============== ============== ============== =============== New Jersey Office Properties Tenant Improvements $654,877 $454,054 $1,580,323 $1,146,385 Per Square Foot Improved 3.78 2.29 6.71 2.92 Leasing Commissions $396,127 $787,065 $1,031,950 $1,602,962 Per Square Foot Leased 2.08 3.96 4.44 4.08 --------------- -------------- -------------- --------------- Total Per Square Foot $5.86 $6.25 $11.15 $7.00 =============== ============== ============== =============== New York City Office Properties

Tenant Improvements N/A N/A $65,267 $788,930 Per Square Foot Improved N/A N/A 1.79 15.69 Leasing Commissions N/A N/A $418,185 $1,098,829 Per Square Foot Leased N/A N/A 11.50 21.86 -------------- -------------- -------------- -------------- Total Per Square Foot N/A N/A $13.29 $37.55 ============== ============== ============== ============== Industrial Properties Tenant Improvements $283,842 $375,646 $650,216 $1,366,488 Per Square Foot Improved 0.76 0.25 0.95 1.65 Leasing Commissions $200,154 $835,108 $436,506 $354,572 Per Square Foot Leased 0.44 0.56 0.64 0.43 -------------- -------------- -------------- -------------- Total Per Square Foot $1.20 $0.81 $1.59 $2.08 ============== ============== ============== ============== Average 1998-2001 1Q02 New Renewal -------------- -------------- -------------- -------------- Long Island Office Properties Tenant Improvements $1,931,443 $408,299 $320,921 $87,378 Per Square Foot Improved 6.04 6.34 13.81 2.12 Leasing Commissions $1,155,742 $250,157 $175,216 $74,941 Per Square Foot Leased 3.38 3.88 7.54 1.82 -------------- -------------- -------------- -------------- Total Per Square Foot $9.42 10.22 $21.35 $3.94 ============== ============== ============== ============== Westchester Office Properties Tenant Improvements $1,618,132 $740,852 $644,517 $96,335 Per Square Foot Improved 5.43 7.61 13.14 2.00 Leasing Commissions $604,780 $359,568 $209,738 $149,830 Per Square Foot Leased 2.41 3.69 4.27 3.10 -------------- -------------- -------------- -------------- Total Per Square Foot $7.84 $11.30 $17.41 $5.10 ============== ============== ============== ============== Connecticut Office Properties Tenant Improvements $245,341 $58,218 $56,498 $1,720 Per Square Foot Improved 4.11 7.99 11.63 0.71 Leasing Commissions $231,018 $31,498 $31,498 $0 Per Square Foot Leased 3.44 4.33 6.48 - -------------- -------------- -------------- -------------- Total Per Square Foot $7.55 $12.32 $18.11 0.71 ============== ============== ============== ============== New Jersey Office Properties Tenant Improvements $958,910 $216,839 $66,674 $150,165 Per Square Foot Improved 3.93 9.77 11.79 9.08 Leasing Commissions $954,526 $11,068 $11,068 $0 Per Square Foot Leased 3.64 0.50 1.96 - -------------- -------------- -------------- -------------- Total Per Square Foot $7.57 $10.27 $13.75 $9.08 ============== ============== ============== ============== New York City Office Properties Tenant Improvements $427,099 $1,282,734 $602,100 $680,634 Per Square Foot Improved 8.74 21.64 16.28 30.54 Leasing Commissions $758,507 $588,161 $304,300 $283,861 Per Square Foot Leased 16.68 9.92 8.23 12.74 -------------- -------------- -------------- -------------- Total Per Square Foot $25.42 $31.56 24.51 $43.28 ============== ============== ============== ============== Industrial Properties Tenant Improvements $669,048 $586,466 $577,373 $9,093 Per Square Foot Improved 0.90 1.70 4.17 - Leasing Commissions $456,585 $292,487 $251,687 $40,800 Per Square Foot Leased 0.52 0.85 1.82 0.20 -------------- -------------- -------------- -------------- Total Per Square Foot $1.42 $2.55 5.99 $0.20 ============== ============== ============== ============== 25 LEASE EXPIRATIONS The following table sets forth scheduled lease expirations for executed leases as of March 31, 2002: LONG ISLAND OFFICE PROPERTIES (EXCLUDING OMNI): Year of Total Rentable % of Total Per Per Lease Number Square Feet Rentable Square Square Foot Square Foot Expiration of Leases Expiring Feet Expiring S/L Rent (1) Rent (2) ---------- --------- -------- ------------ ----------- -------- 2002 22 78,420 2.5% $23.82 $26.06 2003 46 322,001 10.2% $24.32 $26.83 2004 48 306,231 9.7% $23.23 $24.46 2005 67 402,049 12.7% $25.14 $28.04 2006 44 169,206 5.3% $26.40 $28.69 2007 26 411,249 13.0% $24.57 $30.45 2008 and thereafter 74 1,477,312 46.6% - - -- --------- ---- Total/Weighted Average 327 3,166,468 100.0% - - === ========= ===== OMNI Year of Total Rentable % of Total Per Per Lease Number Square Feet Rentable Square Square Foot Square Foot Expiration of Leases Expiring Feet Expiring S/L Rent (1) Rent (2) ---------- --------- -------- ------------ ----------- -------- 2002 2 33,890 6.3% $33.55 $36.68 2003 3 49,793 9.3% $29.54 $35.16 2004 5 113,793 21.2% $27.27 $34.74 2005 6 59,115 11.0% $27.91 $35.45 2006 0 - 0.0% - - 2007 2 59,722 11.1% $26.86 $34.41 2008 and thereafter 9 220,105 41.1% - - - ------- ---- Total/Weighted Average 27 536,418 100.0% - - == ======= ===== WESTCHESTER OFFICE Year of Total Rentable % of Total Per Per Lease Number Square Feet Rentable Square Square Foot Square Expiration of Leases Expiring Feet Expiring S/L Rent (1) Rent (2) ---------- --------- -------- ------------ ----------- -------- 2002 38 275,301 8.9% $21.76 $22.70 2003 47 243,025 7.8% $22.22 $23.88 2004 35 171,448 5.5% $21.40 $22.46 2005 48 457,964 14.8% $22.94 $24.01 2006 39 718,904 23.2% $22.69 $24.47 2007 29 416,130 13.4% $24.85 $27.41 2008 and thereafter 35 819,165 26.4% - - -- ---------- ----- Total/Weighted Average 271 3,101,937 100.0% - - === ========= ====== STAMFORD OFFICE Year of Total Rentable % of Total Per Per Lease Number Square Feet Rentable Square Square Foot Square Foot Expiration of Leases Expiring Feet Expiring S/L Rent (1) Rent (2) ---------- --------- -------- ------------ ----------- -------- 2002 17 45,536 4.3% $24.67 $25.56 2003 21 145,485 13.8% $30.85 $31.72 2004 28 236,570 22.4% $21.92 $23.08 2005 21

118,584 11.2% $26.63 $28.57 2006 24 291,313 27.6% $24.17 $25.06 2007 9 92,541 8.8% $31.92 $34.29 2008 and thereafter 7 125,617 11.9% - - --- ---------------- ------ Total/Weighted Average 127 1,055,646 100.0% - - === =============== ====== NEW JERSEY OFFICE Year of Total Rentable % of Total Per Per Lease Number Square Feet Rentable Square Square Foot Square Foot Expiration of Leases Expiring Feet Expiring S/L Rent (1) Rent (2) ---------- --------- -------- ------------- ----------- -------- 2002 15 123,058 7.0% $20.08 $20.78 2003 20 319,328 18.1% $27.16 $28.21 2004 28 206,608 11.7% $23.08 $23.89 2005 27 271,611 15.4% $23.78 $24.81 2006 17 192,248 10.9% $24.40 $25.87 2007 3 46,639 2.6% $20.89 $23.69 2008 and thereafter 17 602,282 34.3% - - - -- ---------------- ----- Total/Weighted Average 128 1,761,774 100.0% - - === =============== ====== NEW YORK CITY OFFICE Year of Total Rentable % of Total Per Per Lease Number Square Feet Rentable Square Square Foot Square Foot Expiration of Leases Expiring Feet Expiring S/L Rent (1) Rent (2) ---------- --------- -------- ------------- ------------ -------- 2002 16 161,496 4.7% $35.76 $34.14 2003 7 114,987 3.4% $32.08 $33.00 2004 20 223,677 6.6% $36.24 $39.53 2005 33 449,384 13.2% $35.52 $38.07 2006 52 341,686 10.0% $30.16 $31.81 2007 9 117,577 3.4% $34.16 $36.93 2008 and thereafter 84 2,003,577 58.7% - - - -- --------------- ----- Total/Weighted Average 221 3,412,384 100.0% - - === =============== ====== 26 INDUSTRIAL Year of Total Rentable % of Total Per Per Lease Number Square Feet Rentable Square Square Foot Square Foot Expiration of Leases Expiring Feet Expiring S/L Rent (1) Rent (2) ---------- --------- -------- ------------- ----------- -------- 2002 14 192,055 3.8% $6.79 $7.34 2003 22 578,712 11.3% $5.67 $6.77 2004 34 561,670 11.0% $6.56 $7.61 2005 25 461,741 9.1% $5.90 $7.43 2006 38 859,320 16.8% $6.64 $7.85 2007 20 220,266 4.3% $7.57 $9.19 2008 and thereafter 45 2,231,320 43.7% - - - -- ---------------- ------ Total / Weighted Average 198 5,105,084 100.0% - - === ================ ====== RESEARCH & DEVELOPMENT Year of Total Rentable % of Total Per Per Lease Number Square Feet Rentable Square Square Foot Square Foot Expiration of Leases Expiring Feet Expiring S/L Rent (1) Rent (2) ---------- --------- -------- ------------- ------------ -------- 2002 1 4,620 0.4% $12.85 $13.59 2003 5 91,938 8.2% $10.36 $10.76 2004 9 99,218 8.9% $13.86 $15.07 2005 7 457,440 40.9% $ 8.98 $11.14 2006 6 83,061 7.4% $18.53 $21.50 2007 4 85,444 7.6% $12.60 $13.95 2008 and thereafter 14 298,015 26.6% - - - -- ---------------- ------ Total / Weighted Average 46 1,119,736 100.0% - - == ================ ====== 27 PART II - OTHER INFORMATION Item 1. Legal Proceedings The Company is not presently subject to any material litigation nor, to the Company's knowledge, is any litigation threatened against the Company, other than routine actions for negligence or other claims and administrative proceedings arising in the ordinary course of business, some of which are expected to be covered by liability insurance and all of which collectively are not expected to have a material adverse effect on the liquidity, results of operations or business or financial condition of the Company. On or about October 3, 2001, Burgess Services, LLC ("Burgess Services"), Dominion Venture Group, LLC ("Dominion Venture Group") and certain affiliated parties commenced an action in Oklahoma State Court against Reckson Strategic Venture Partners, LLC ("RSVP"), the Company, and RAP-Dominion LLC ("RAP-Dominion"), a joint venture through which the Company invested with RSVP in a venture with certain of the plaintiffs. On April 10, 2002, the litigation was settled without liability on the part of the Company or the defendant. In connection with the settlement, the joint venture will be terminated. 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 - None b) During the three months ended March 31, 2002, the Registrant filed the following reports on Form 8-K: On January 8, 2002, the Registrant submitted a report on Form 8-K under Item 5 thereof relating to the sale by a subsidiary of the Registrant of a 49% interest in the property located at 919 Third Avenue. On March 7, 2002, the Registrant submitted a report on Form 8-K under Item 9 thereof in order to submit its fourth quarter presentation in satisfaction of the requirements of Regulation FD. On March 7, 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 December 31, 2001 in satisfaction of the requirements of Regulation FD. SIGNATURES Pursuant to the requirements of the Securities and 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 /s/ Michael Maturo -- -- Scott H. Rechler, Co-Chief Executive Officer Michael Maturo, Executive Vice President, Treasurer and Chief Financial Officer Date: May 2, 2002 28