SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

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FORM 8-K
CURRENT REPORT

Pursuant to Section 13 or 15(d) of the
Securities Exchange Act of 1934

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Date of report (Date of earliest event reported): May 10, 1999

Reckson Associates Realty Corp.
and
Reckson Operating Partnership, L.P.
(Exact name of each registrant as specified in its charter)

| | | |
|---|---|---|
| Reckson Associates Realty Corp.--Maryland<br>Reckson Operating Partnership, L.P.--Delaware | 1-13762 | Reckson Associates Realty Corp.--11-3233650<br>Reckson Operating Partnership, L.P.--11-3233647 |
| (State or other jurisdiction of incorporation or organization) | (Commission File No.) | (IRS Employer Identification No.) |

| | |
|---|---|
| 225 Broadhollow Road, Melville, New York | 11747 |
| (Address of principal executive offices) | (Zip Code) |

Registrants' telephone number, including area code: (516) 694-6900

ITEM 5. OTHER EVENTS

ACQUISITION OF FIRST MORTGAGE NOTE SECURED BY 919 THIRD AVENUE, NYC

On May 10, 1999, Reckson Operating Partnership, L.P. ("Reckson OP"), a subsidiary of Reckson Associates Realty Corp. ("Reckson"), entered into an agreement with NBBRE-919 Third Avenue Associates, L.P. ("NBBRE") to acquire the first mortgage note secured by 919 Third Avenue in New York City for a purchase price of approximately $277.5 million. The mortgage note matured in 1997 and is in default; however, a foreclosure of the mortgage note may not be completed until September 30, 2000. Reckson plans to close the acquisition of the mortgage note through its subsidiary, Metropolitan Operating Partnership, L.P. ("Metropolitan Partners"). Metropolitan Partners expects to obtain ownership of 919 Third Avenue by negotiating an agreement with the owner of the property or, in the absence of an agreement, through enforcement of its rights under the mortgage. However, Metropolitan Partners has no agreement with the owner of 919 Third Avenue and there can be no assurance as to when or whether any such agreement can be reached.

The building at 919 Third Avenue is a 42-story, 1.4 million square foot, class A office building. Currently, the building is approximately 98% leased. The law firm of Skadden, Arps, Slate, Meagher & Flom occupies approximately 705,000 square feet of the building and is vacating its space in April 2000. New leases have been signed with Debevoise & Plimpton, a law firm (approximately 417,000 square feet), Schulte Roth & Zabel, a law firm (approximately 212,000 square feet), and Banque Nationale de Paris, a bank (approximately 188,000 square feet), effectively eliminating the vacancy created by Skadden, Arps' departure.

The building at 919 Third Avenue is currently undergoing a $28.5 million capital improvement and modernization program, which is being funded by NBBRE. Approximately $12 million for this program will be provided by Metropolitan Partners after it acquires the mortgage note. In addition, Metropolitan Partners will have to provide approximately $88 million for tenant improvements, leasing commissions, transaction costs and carrying costs to be incurred from closing through the first quarter of 2001, the anticipated completion of the capital improvement plan.

Reckson and Metropolitan Partners contemplate financing the transaction through a combination of borrowings under their credit facilities and proceeds from a $150 million private placement of equity securities expected to be in the form of perpetual convertible preferred stock paying cumulative dividends at a rate of 7.85% for one year, 8.35% for the subsequent year and 8.85% thereafter, be convertible into Reckson common stock at a conversion price of approximately $26 per share, and be redeemable, at the Company's option, at specified prices beginning approximately three years after issuance. Reckson and two institutional investors have an agreement in principle on the material terms for the equity securities; however, these agreements are non-binding and are subject to the execution of definitive documents. Because definitive documents have not been executed for the proposed private placement of equity securities, the pro forma financial information described below has been prepared assuming that the entire purchase price of the mortgage note is funded with borrowings under Reckson's existing credit facilities. For an analysis showing the effect on net income and earnings per share or earnings per unit of substituting the expected equity proceeds for a portion of the debt proceeds for each of the three pro forma presentations included in Item 7, see note B to the condensed combining balance sheets in those pro forma presentations. The convertible preferred stock will not initially be registered under the Securities Act of 1933 and may not be offered or sold in the United States absent registration or an applicable exemption from registration requirements.

At the execution of its agreement to buy the mortgage note, Reckson OP paid a $10 million deposit to NBBRE, which is nonrefundable except in the event that Reckson OP discovers material inaccuracies in NBBRE representations during the completion of its due diligence process. The due diligence period will last until May 24, 1999, at which time Reckson OP will pay an additional $5 million deposit to NBBRE and, assuming satisfactory completion of due diligence, closing is expected on or around June 7, 1999.

The mortgage note entitles its holder to all of the cash flow of 919 Third Avenue and to substantial rights over the operation of the property. While Metropolitan Partners will attempt to reach an agreement with the owner of 919 Third Avenue, there can be no assurance when or whether any agreement will be reached. If the owner files a bankruptcy petition, Metropolitan Partners' ability to exercise its rights over operation of the property, or to foreclose under the mortgage note, could be delayed or hindered.

Reckson and Reckson OP have a currently effective registration statement on file with the Securities and Exchange Commission relating to the proposed acquisition of Tower Realty Trust, Inc. That registration statement contains pro forma information giving effect to the proposed acquisition of Tower and related transactions. This report includes a statement of revenues and certain expenses of 919 Third Avenue for the year ended December 31, 1998 (and related auditors' consent) as required by Rule 3-14 of Regulation S-X and pro forma financial information for Reckson and Reckson OP. The pro forma information contained in this report is comprised of the pro forma information from the registration statement and reflects further adjustments to give effect to the proposed acquisition of the mortgage note described above. Rule 3-14 of Regulation S-X specifies the requirements for financial statements when the registrant, since the date of the latest balance sheet required, has acquired or proposes to acquire one or more properties that in the aggregate are significant.

Included in the category of properties acquired or to be acquired under Rule 3-14 are operating properties underlying certain mortgage loans, which in economic substance represent an investment in real estate. Because the mortgage note provides the lender with the same risks and potential rewards as the owner of 919 Third Avenue, a statement of revenues and certain expenses of 919 Third Avenue, as required by Rule 3-14 of Regulation S-X has been included in this report.

SELECTED PRO FORMA COMBINED FINANCIAL DATA OF RECKSON AND RECKSON OP

| | SHARE ISSUANCE PROPOSAL IS APPROVED | SHARE ISSUANCE PROPOSAL IS NOT APPROVED | |
|---|---|---|---|
| | RECKSON | RECKSON OP | RECKSON |
| | AS OF AND FOR THE YEAR ENDED DECEMBER 31, 1998 | AS OF AND FOR THE YEAR ENDED DECEMBER 31, 1998 | AS OF AND FOR THE YEAR ENDED DECEMBER 31, 1998 |
| | (IN THOUSANDS, EXCEPT PER SHARE DATA) (UNAUDITED) | | |
| REVENUES: | | | |
| Base rents | $ 367,087 | $ 367,087 | $ 367,087 |
| Tenant escalations and reimbursements | 35,092 | 35,092 | 35,092 |
| Equity in earnings of real estate joint ventures | 603 | 603 | 603 |
| Equity in earnings of service companies | 1,530 | 1,530 | 1,530 |
| Interest income on mortgage notes and notes receivable | 7,739 | 7,739 | 7,739 |
| Other | 5,026 | 4,965 | 5,026 |
| Total revenues | 417,077 | 417,016 | 417,077 |
| EXPENSES: | | | |
| Operating expenses: | | | |
| Property operating expenses | 81,910 | 81,910 | 81,910 |
| Real estate taxes | 58,913 | 58,913 | 58,913 |
| Ground rents | 2,959 | 2,959 | 2,959 |
| Marketing, general and administrative | 21,697 | 20,808 | 21,697 |
| Total operating expenses | 165,479 | 164,590 | 165,479 |
| Interest | 87,243 | 94,777 | 94,777 |
| Depreciation and amortization | 73,542 | 73,542 | 73,542 |
| Total expenses | 326,264 | 332,909 | 333,798 |
| Income before minority interest and extraordinary items | 90,813 | 84,107 | 83,279 |
| Minority partners' and preferred interest in consolidated partnership (income) | (9,083) | (9,139) | (9,083) |
| Distributions to preferred unitholders/shareholders | (14,244) | (14,244) | (14,244) |
| Income before limited partners' minority interest in operating partnership income and extraordinary items | 67,486 | $ 60,724 | 59,952 |
| Limited partners' minority interest in operating partnership income | (7,830) | | (7,660) |
| Income before extraordinary item | $ 59,656 | | $ 52,292 |
| INCOME PER SHARE: | | | |
| Basic income per share of Reckson common stock before extraordinary item | $ 1.01 | | $ 0.99 |
| Basic weighted average number of shares of Reckson common stock outstanding | 39,473 | | 39,473 |
| Diluted income per share of Reckson common stock before extraordinary item | $ 1.00 | | $ 0.98 |
| Diluted weighted average number of shares of Reckson common stock outstanding | 40,010 | | 40,010 |
| Basic income per share of Reckson class B common stock before extraordinary item | $ 1.68 | | $ 1.64 |
| Basic weighted average number of shares of Reckson class B common stock outstanding | 11,695 | | 8,005 |
| Diluted income per share of Reckson class B common stock before extraordinary item | $ 1.14 | | $ 1.08 |

| | | | |
|---|---|---|---|
| Diluted weighted average number of shares of Reckson class B common stock outstanding | 11,695 | | 8,005 |
| **OTHER FINANCIAL DATA:** | | | |
| Commercial real estate, after accumulated depreciation | $ 2,032,687 | $ 2,032,687 | $ 2,032,687 |
| Total assets | 2,794,090 | 2,793,794 | 2,794,090 |
| Mortgage notes payable | 492,243 | 492,243 | 492,243 |
| Credit facility | 466,988 | 466,988 | 466,988 |
| Senior unsecured notes | 449,262 | 544,783 | 544,783 |
| Minority interests | 127,173 | 127,173 | 127,173 |
| Shareholders' equity | 959,030 | 1,049,860 | 867,283 |

COMPARATIVE PER SHARE DATA

| | | | SHARE ISSUANCE PROPOSAL APPROVED | | | SHARE ISSUANCE PROPOSAL NOT APPROVED | |
|---|---|---|---|---|---|---|---|
| | RECKSON (A) | TOWER (B) | PRO FORMA COMBINED(C) | | TOWER PRO FORMA EQUIVALENT(D) | PRO FORMA COMBINED(C) | |
| | | | RECKSON COMMON STOCK | RECKSON CLASS B COMMON STOCK | RECKSON CLASS B COMMON STOCK | RECKSON COMMON STOCK | RECKSON CLASS B COMMON STOCK |
| Income (loss) per common share from continuing operations: | | | | | | | |
| Basic: | | | | | | | |
| Year ended December 31, 1998...................... | $ 0.96 | $ 0.69 | $ 1.01 | $ 1.68 | $ 1.05 | $ 0.99 | $ 1.64 |
| Diluted: | | | | | | | |
| Year ended December 31, 1998...................... | $ 0.95 | $ 0.69 | $ 1.00 | $ 1.14 | $ 0.72 | $ 0.98 | $ 1.08 |
| Distributions per common share: | | | | | | | |
| Year ended December 31, 1998...................... | $ 1.35 | $ 1.69 | $ 1.35 | $ 2.24 | $ 1.41 | $ 1.35 | $ 2.24 |
| Book Value per common share: | | | | | | | |
| Year ended December 31, 1998...................... | $ 17.63 | $ 22.76 | $ 18.54 | $ 18.54 | $ 11.63 | $ 18.05 | $ 18.05 |

| | TOWER PRO FORMA EQUIVALENT(D) |
|---|---|
| | RECKSON CLASS B COMMON STOCK |
| Income (loss) per common share from continuing operations: | |
| Basic: | |
| Year ended December 31, 1998...................... | $ 0.70 |
| Diluted: | |
| Year ended December 31, 1998...................... | $ 0.46 |
| Distributions per common share: | |
| Year ended December 31, 1998...................... | $ 0.96 |
| Book Value per common share: | |
| Year ended December 31, 1998...................... | $ 7.75 |

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(a) The twelve-month information for Reckson represents Reckson's historical information as of and for the year ended December 31, 1998. See "Selected Financial Data--Selected Financial Data of Reckson."

(b) The twelve-month information for Tower represents Tower's historical information as of and for the twelve months ended December 31, 1998. See "Selected Financial Data--Selected Financial Data of Tower" and "Unaudited Pro Forma Financial Statements--Unaudited Pro Forma Condensed Consolidated Financial Statements of Tower."

(c) See "Unaudited Pro Form Financial Statements--Unaudited Pro Forma Combined Financial Statements of Reckson."

(d) Tower's pro forma equivalent per share information represents the pro forma combined per share information for Reckson class B common stock multiplied by an exchange ratio of .6273 if the share issuance proposal is approved and .4294 if the share issuance proposal is not approved.

This report contains forward-looking statements that are subject to certain risks, trends and uncertainties that could cause actual results to differ materially from those projected. Among those risks, trends and uncertainties are the general economic climate; the supply of and demand for office and industrial properties in the tri-state area; interest rate levels; the availability of financing; 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. For further information on factors which could impact Reckson and Reckson OP, reference is made to Reckson's and Reckson OP's other filings with the Securities and Exchange Commission.

ITEM 7. FINANCIAL STATEMENTS AND EXHIBITS

(a) Financial Statements of Properties Acquired

AUDITED FINANCIAL STATEMENTS

Combined Statement of Revenues and Certain Expenses of 919 Third Avenue for the Year Ended December 31, 1998

Notes to Combined Statement of Revenues and Certain Expenses of 919 Third Avenue

(b) Pro Forma Financial Information

UNAUDITED PRO FORMA COMBINED FINANCIAL STATEMENTS OF RECKSON--ASSUMING RECKSON STOCKHOLDERS APPROVE THE SHARE ISSUANCE PROPOSAL

Unaudited Pro Forma Condensed Combining Balance Sheet as of December 31, 1998

Unaudited Pro Forma Condensed Combining Statement of Operations for the Year Ended December 31, 1998

Notes to Unaudited Pro Forma Combined Financial Statements

UNAUDITED PRO FORMA COMBINED FINANCIAL STATEMENTS OF RECKSON--ASSUMING RECKSON STOCKHOLDERS DO NOT APPROVE THE SHARE ISSUANCE PROPOSAL

Unaudited Pro Forma Condensed Combining Balance Sheet as of December 31, 1998

Unaudited Pro Forma Condensed Combining Statement of Operations for the Year Ended December 31, 1998

Notes to Unaudited Pro Forma Combined Financial Statements

UNAUDITED PRO FORMA COMBINED FINANCIAL STATEMENTS OF RECKSON OP--ASSUMING RECKSON STOCKHOLDERS DO NOT APPROVE THE SHARE ISSUANCE PROPOSAL

Unaudited Pro Forma Condensed Combining Balance Sheet as of December 31, 1998

Unaudited Pro Forma Condensed Combining Statement of Operations for the Year Ended December 31, 1998

Notes to Unaudited Pro Forma Combined Financial Statements

(c) Exhibits

Exhibit 23.1  Consent of Ernst & Young LLP

Exhibit 23.2  Consent of Ernst & Young LLP

Exhibit 99.1  Press Release, Dated May 10, 1999

SIGNATURES

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

RECKSON ASSOCIATES REALTY CORP.

BY: /S/ J. MICHAEL MATURO

J. Michael Maturo
Executive Vice President and
Chief Financial Officer

RECKSON OPERATING PARTNERSHIP, L.P.

By: Reckson Associates Realty Corp.,
its general partner

By: /s/ J. MICHAEL MATURO

J. Michael Maturo
Executive Vice President and
Chief Financial Officer

Dated: May 10, 1999

# REPORT OF INDEPENDENT AUDITORS

Board of Directors and Stockholders
Reckson Associates Realty Corp.

We have audited the combined statement of revenues and certain expenses of the property ("919 Third Avenue") underlying the first mortgage note to be acquired from NBBRE-919 Third Avenue Associates L.P. by Reckson Associates Realty Corp., as described in Note 1, for the year ended December 31, 1998. The financial statement is the responsibility of 919 Third Avenue management. Our responsibility is to express an opinion on this financial statement based on our audit.

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

The accompanying statement of revenues and certain expenses was prepared for the purpose of complying with the rules and regulations of the Securities and Exchange Commission for inclusion in the Form 8-K of Reckson Associates Realty Corp. and is not intended to be a complete presentation of 919 Third Avenue's revenue and expenses.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the combined revenues and certain expenses of 919 Third Avenue as described in Note 1 for the year ended December 31, 1998, in conformity with generally accepted accounting principles.

ERNST & YOUNG LLP

New York, New York
March 4, 1999

919 THIRD AVENUE

COMBINED STATEMENT OF REVENUES AND CERTAIN EXPENSES

(IN THOUSANDS)

(NOTE 1)

| | YEAR ENDED DECEMBER 31, 1998 |
|---|---|
| Revenues (Notes 2 and 5): | |
| Base rents | $ 44,190 |
| Tenant escalations | 7,348 |
| Total revenues | 51,538 |
| Certain Expenses: | |
| Real estate taxes | 10,403 |
| Property operating expenses (Note 3) | 11,583 |
| Ground rent | 515 |
| Property management fees | 681 |
| Total certain expenses | 23,182 |
| Revenues in excess of certain expenses | $ 28,356 |

See accompanying notes to financial statement.

919 THIRD AVENUE

NOTES TO COMBINED STATEMENT OF REVENUES AND CERTAIN EXPENSES

FOR THE YEAR ENDED DECEMBER 31, 1998

1. BASIS OF PRESENTATION

Presented herein is the combined statement of revenues and certain expenses related to the operation of 919 Third Avenue, which comprises the leasehold interest in 919 Third Avenue and the fee interest in the land underlying 919 Third Avenue and which secures the first mortgage owned by NBBRE-919 Third Avenue Associates, L.P. The property is located in New York, New York.

The accompanying financial statement has been prepared in accordance with the applicable rules and regulations of the Securities and Exchange Commission for the acquisition of real estate property. Included in the category of real estate properties are operating properties underlying certain mortgage loans, which in substance represent an investment in real estate rather than a loan. Since the first mortgage note provides the lender with the same risks and potential rewards as the owner of 919 Third Avenue the first mortgage note is being treated as an investment in real estate for financial reporting purposes. Accordingly, the financial statement excludes certain expenses that may not be comparable to those expected to be incurred by Reckson Associates Realty Corp. in the proposed future operations of the aforementioned 919 Third Avenue. Items excluded consist of interest, depreciation, amortization and general and administrative expenses not directly related to future operations.

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

2. LEASE AND REVENUE RECOGNITION

919 Third Avenue is being leased to tenants under operating leases. Minimum rental income is generally recognized on a straight-line basis over the term of the leases. The amounts so recognized were in excess of the amounts due pursuant to the underlying leases by approximately $2,467,000 for the year ended December 31, 1998.

919 Third Avenue is a multi-tenant office building whose lease expires at various dates over the next twenty-two years.

3. PROPERTY OPERATING EXPENSES

Property operating expenses for the year ended December 31, 1998 include approximately $83,000 for insurance, $4,260,000 for utilities, $1,447,000 for payroll, $5,431,000 for repair and maintenance and $362,000 for security costs.

4. SIGNIFICANT TENANTS

For the year ended December 31, 1998, rent revenue, exclusive of expense escalation charges, from one tenant under leases expiring in 2000, amounted to 63% of total rent revenues. This tenant occupies approximately 53% of the total gross rentable area of the building. In 1998, three new tenants executed leases to occupy 53% of the building with anticipated lease commencement dates ranging from 1999 to 2002, which includes space to be vacated by the tenant that currently occupies 53% of the gross rentable area of the building.

5. GROUND LEASE

The ground lease, which expires on September 30, 2066, provides that the annual rent be adjusted at ten year intervals beginning March 1, 1991 to the greater of (i) $70,000 or (ii) a sum equal to 9% of the fair market value of the land, as defined, multiplied by 6%. The annual rent for the period from March 1, 1991 through February 28, 2001 is $515,000.

6. LEASE AGREEMENTS

Future minimum lease payments to be received by 919 Third Avenue as of December 31, 1998 under non-cancelable operating leases, which expire on various dates through November, 2021, are as follows:

| | |
|---|---|
| 1999 | $46,803,000 |
| 2000 | 31,240,000 |
| 2001 | 27,262,000 |
| 2002 | 43,287,000 |
| 2003 | 45,579,000 |
| Thereafter | 576,815,000 |
| | $770,986,000 |

## UNAUDITED PRO FORMA COMBINED FINANCIAL STATEMENTS OF RECKSON--ASSUMING RECKSON STOCKHOLDERS APPROVE THE SHARE ISSUANCE PROPOSAL

The following unaudited pro forma combined financial statements are presented as if Reckson had acquired the first mortgage note secured by 919 Third Avenue (the "919 Mortgage") on December 31, 1998 with respect to the balance sheet and on January 1, 1998 with respect to the statement of operations.

The following pro forma combined financial statements are presented for illustrative purposes only and are not indicative of the financial position or results of operations of future periods or the results that actually would have been realized had Reckson owned the 919 Mortgage during the specified periods. The pro forma combined financial statements, including the notes thereto, should be read in conjunction with the Pro Forma Combined Financial Statements of Reckson--Assuming Reckson Stockholders Approve the Share Issuance Proposal, as previously reported in Reckson's registration statement on Form S-4, relating to the proposed acquisition of Tower Realty Trust, Inc. and the historical financial statements and notes thereto of Reckson as filed on Form 10-K for the year ended December 31, 1998.

RECKSON ASSOCIATES REALTY CORP.

PRO FORMA CONDENSED COMBINING BALANCE SHEET

ASSUMING RECKSON STOCKHOLDERS APPROVE THE SHARE ISSUANCE PROPOSAL

AS OF DECEMBER 31, 1998

(UNAUDITED)
(DOLLARS IN THOUSANDS)

| | PRO FORMA AS PREVIOUSLY REPORTED (A) | 919 MORTGAGE (B) | DECEMBER 31, 1998 PRO FORMA |
|---|---|---|---|
| ASSETS: | | | |
| Real estate, net | $ 2,032,687 | $ -- | $ 2,032,687 |
| Real estate held for sale | 225,000 | -- | 225,000 |
| Cash and cash equivalents | 7,423 | -- | 7,423 |
| Tenant receivables | 10,266 | -- | 10,266 |
| Affiliate receivables | 53,329 | -- | 53,329 |
| Deferred rent receivable | 22,526 | -- | 22,526 |
| Investment in mortgage notes and note receivable | 99,268 | 278,000 | 377,268 |
| Investment in Metropolitan Partners | -- | -- | -- |
| Contract and land deposits and other pre-acquisition costs | 2,253 | -- | 2,253 |
| Prepaid expenses and other assets | 13,735 | -- | 13,735 |
| Investments in real estate joint ventures | 18,804 | -- | 18,804 |
| Deferred lease and loan costs, net | 30,799 | -- | 30,799 |
| Total Assets | $ 2,516,090 | $ 278,000 | $ 2,794,090 |
| LIABILITIES AND STOCKHOLDERS' EQUITY: | | | |
| Mortgage notes payable | $ 492,243 | $ -- | $ 492,243 |
| Senior unsecured notes | 449,262 | -- | 449,262 |
| Credit facility | 188,988 | 278,000 | 466,988 |
| Accrued expenses and other liabilities | 78,511 | -- | 78,511 |
| Affiliate payables | 2,395 | -- | 2,395 |
| Deferred real estate taxes | 12,359 | -- | 12,359 |
| Dividends and distributions payable | 19,663 | -- | 19,663 |
| Total Liabilities | 1,243,421 | 278,000 | 1,521,421 |
| Minority partners' interest and preferred interest in consolidated partnerships | 127,173 | -- | 127,173 |
| Preferred unit interest in the operating partnership | 42,518 | -- | 42,518 |
| Limited partners' minority interest in operating partnership | 143,948 | -- | 143,948 |
| | 313,639 | -- | 313,639 |
| STOCKHOLDERS' EQUITY: | | | |
| Preferred stock | 92 | -- | 92 |
| Common stock | 400 | -- | 400 |
| Class B common stock | 117 | -- | 117 |
| Additional paid-in capital | 958,421 | -- | 958,421 |
| Total Stockholders' Equity | 959,030 | -- | 959,030 |
| Total Liabilities and Stockholders' Equity | $ 2,516,090 | $ 278,000 | $ 2,794,090 |

See accompanying notes to pro forma financial statements.

RECKSON ASSOCIATES REALTY CORP.

PRO FORMA CONDENSED COMBINING STATEMENT OF OPERATIONS

ASSUMING RECKSON STOCKHOLDERS APPROVE THE SHARE ISSUANCE PROPOSAL

FOR THE YEAR ENDED DECEMBER 31, 1998

(UNAUDITED)
(DOLLARS IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)

| | PRO FORMA AS PREVIOUSLY REPORTED (C) | 919 MORTGAGE (D) | PRO FORMA ADJUSTMENTS (E) | DECEMBER 31, 1998 PRO FORMA |
|---|---|---|---|---|
| REVENUES: | | | | |
| Base rents | $ 322,897 | $ 44,190 | $ -- | $ 367,087 |
| Tenant escalations and reimbursements | 27,744 | 7,348 | -- | 35,092 |
| Equity in earnings of real estate joint ventures | 603 | -- | -- | 603 |
| Equity in earnings of service companies | 1,530 | -- | -- | 1,530 |
| Interest income on mortgage notes and notes receivable | 7,739 | -- | -- | 7,739 |
| Other | 5,026 | -- | -- | 5,026 |
| Total Revenues | 365,539 | 51,538 | -- | 417,077 |
| EXPENSES: | | | | |
| Operating Expenses: | | | | |
| Property operating expenses | 69,646 | 12,264 | -- | 81,910 |
| Real estate taxes | 48,510 | 10,403 | -- | 58,913 |
| Ground rents | 2,444 | 515 | -- | 2,959 |
| Marketing, general and administrative | 21,697 | -- | -- | 21,697 |
| Total Operating Expenses | 142,297 | 23,182 | -- | 165,479 |
| Interest | 68,284 | -- | 18,959 | 87,243 |
| Depreciation and amortization | 65,665 | -- | 7,877 | 73,542 |
| Total Expenses | 276,246 | 23,182 | 26,836 | 326,264 |
| Income before minority interest and extraordinary items | 89,293 | 28,356 | (26,836) | 90,813 |
| Minority partners' and preferred interest in consolidated partnerships (income) | (9,083) | -- | -- | (9,083) |
| Distributions to preferred unitholders/ shareholders | (14,244) | -- | -- | (14,244) |
| Income before limited partners' minority interest in operating partnership income and extraordinary items | $ 65,966 | $ 28,356 | $ (26,836) | $ 67,486 |
| Limited partners' minority interest in operating partnership income | | | | (7,830)(F) |
| Net income before extraordinary item | | | | $ 59,656 |
| Basic income per share of common stock before extraordinary item | | | | $ 1.01(G) |
| Basic weighted average number of shares of common stock outstanding | | | | 39,473 |
| Diluted income per share of common stock before extraordinary item | | | | $ 1.00(G) |
| Diluted weighted average number of shares of common stock outstanding | | | | 40,010 |
| Basic income per share of class B common stock before extraordinary item | | | | $ 1.68(G) |
| Basic weighted average number of shares of class B common stock outstanding | | | | 11,695 |
| Diluted income per share of class B common stock before extraordinary item | | | | $ 1.14(G) |
| Diluted weighted average number of shares of | | | | |

| | |
|---|---|
| class B common stock outstanding.......... | 11,695 |
| | -------- |
| | -------- |

See accompanying notes to pro forma financial statements.

## NOTES TO PRO FORMA COMBINED FINANCIAL STATEMENTS OF RECKSON--ASSUMING RECKSON STOCKHOLDERS APPROVE THE SHARE ISSUANCE PROPOSAL

### PRO FORMA CONDENSED COMBINING BALANCE SHEET

A. Reflects Reckson's unaudited pro forma balance sheet as of December 31, 1998, as previously reported in Reckson's registration statement on Form S-4 relating to the proposed acquisition of Tower Realty Trust, Inc.

B. Reflects the acquisition by Metropolitan Partners, a consolidated subsidiary of Reckson of the first mortgage note secured by 919 Third Avenue in New York City for a purchase price of approximately $278 million. The mortgage note matured in 1997; however, a foreclosure of the mortgage note may not be completed until September 30, 2000. Reckson and Reckson Operating Partnership have a currently effective registration statement on file with the Securities and Exchange Commission relating to the proposed acquisition of Tower Realty Trust, Inc. Rule 3-14 of Regulation S-X ("Rule 3-14") specifies the requirements for financial statements when the registrant, since the date of the latest balance sheet required, has acquired or proposes to acquire one or more properties which in the aggregate are significant (as defined). Included in the category of properties acquired or to be acquired under Rule 3-14 are operating properties underlying certain mortgage loans, which in economic substance represent an investment in real estate rather than a loan. Since the mortgage note to be acquired by Reckson provides it with the same risks and potential rewards as the owner of 919 Third Avenue the first mortgage note is being treated as an investment in real estate for financial reporting purposes.

Reckson and Metropolitan Partners contemplate financing the transaction through a combination of borrowings under their credit facilities and proceeds from a private placement of equity securities of Reckson. The equity securities are expected to be in the form of convertible preferred stock. Reckson and two institutional investors have an agreement in principle on the material terms for the equity securities; however, these agreements are non-binding and are subject to the execution of definitive documents. Because definitive documents have not been executed for the proposed private placement of equity securities, the pro forma adjustment assumes that the entire purchase price of the mortgage note is funded with borrowings under Reckson's credit facility. If the purchase price of the mortgage note had been funded with a combination of borrowings under Reckson's credit facility and the proceeds from the private placement based on the agreement in principle the effect would be to decrease net income available to common shareholders by approximately $914 and decrease basic and diluted earnings per share of Reckson common stock by $0.02 and $0.02, respectively and basic and diluted earnings per share of Reckson class B common stock by $0.03 and $0.03, respectively.

### PRO FORMA CONDENSED COMBINING STATEMENT OF OPERATIONS FOR THE YEAR ENDED DECEMBER 31, 1998

C. Reflects the unaudited pro forma operations of Reckson for the year ended December 31, 1998, as previously reported in Reckson's registration statement on Form S-4 relating to the proposed acquisition of Tower Realty Trust, Inc.

D. Reflects the combined revenues and certain expenses of 919 Third Avenue for the year ended December 31, 1998.

E. Reflects the increase in interest cost associated with additional borrowings under the credit facility ($18,959) based upon the pro forma weighted average rate of approximately 6.8% for the year ended December 31, 1998. The pro forma adjustment also reflects the increase in depreciation expense associated with the acquisition of 919 Third Avenue.

The following table summarizes the calculation of the pro forma depreciation expense adjustment:

(DOLLARS IN THOUSANDS)

| | |
|---|---|
| Pro forma real estate addition | $ 278,000 |
| Allocation to building | 85% |
| Total allocation to building | 236,300 |
| Depreciable life | 30 |
| Pro forma depreciation expense adjustment | $ 7,877 |

F. Represents the minority interest of the limited partners in Reckson OP based upon the pro forma rate of approximately 13.05% as of December 31, 1998.

G. Basic pro forma income per share of Reckson common stock and Reckson class B common stock before extraordinary items is based upon the proration of income based on the relative amounts distributable to each class of shareholders and the average number of shares of Reckson common stock outstanding during the year ended December 31, 1998 of 39,473,000 and the 11,695,000 Class B shares issued,

Diluted pro forma income per share of Reckson common stock before extraordinary items is based upon the diluted weighted average number of shares of Reckson common stock outstanding during the year ended December 31, 1998 of 40,010,000.

Diluted pro forma net income per share of Reckson class B common stock is based upon the impact of the conversion of all outstanding Reckson class B shares to Reckson common stock, on a one-for-one basis, resulting in a weighted average number of shares outstanding during the year ended December 31, 1998 of 59,433,000, net of the add-back of the income allocated to the holders the Reckson class B common stock of approximately $19,661 for the year ended December 31, 1998.

## UNAUDITED PRO FORMA COMBINED FINANCIAL STATEMENTS OF RECKSON--ASSUMING RECKSON STOCKHOLDERS DO NOT APPROVE THE SHARE ISSUANCE PROPOSAL

The following unaudited pro forma combined financial statements are presented as if Reckson had acquired the first mortgage note secured by 919 Third Avenue (the "919 Mortgage") on December 31, 1998 with respect to the balance sheet and on January 1, 1998 with respect to the statement of operations.

The following unaudited pro forma combined financial statements are presented for illustrative purposes only and are not indicative of the financial position or results of operations of future periods or the results that actually would have been realized had Reckson owned the 919 Mortgage during the specified periods. The pro forma combined financial statements, including the notes thereto, should be read in conjunction with the Pro Forma Combined Financial Statements of Reckson--Assuming Reckson Stockholders Do Not Approve the Share Issuance Proposal, as previously reported in Reckson's registration statement on Form S-4, relating to the proposed acquisition of Tower Realty Trust, Inc. and the historical financial statements and notes thereto of Reckson as filed on Form 10-K for the year ended December 31, 1998.

RECKSON ASSOCIATES REALTY CORP.

PRO FORMA CONDENSED COMBINING BALANCE SHEET

ASSUMING RECKSON STOCKHOLDERS DO NOT APPROVE THE SHARE ISSUANCE PROPOSAL

AS OF DECEMBER 31, 1998
(UNAUDITED)
(DOLLARS IN THOUSANDS)

| | PRO FORMA AS PREVIOUSLY REPORTED (A) | 919 MORTGAGE (B) | DECEMBER 31, 1998 PRO FORMA |
|---|---|---|---|
| ASSETS: | | | |
| Real estate, net | $ 2,032,687 | -- | $ 2,032,687 |
| Real estate held for sale | 225,000 | -- | 225,000 |
| Cash and cash equivalents | 7,423 | -- | 7,423 |
| Tenant receivables | 10,266 | -- | 10,266 |
| Affiliate receivables | 53,329 | -- | 53,329 |
| Deferred rent receivable | 22,526 | -- | 22,526 |
| Investment in mortgage notes and note receivable | 99,268 | 278,000 | 377,268 |
| Investment in Metropolitan Partners | -- | -- | -- |
| Contract and land deposits and other pre-acquisition costs | 2,253 | -- | 2,253 |
| Prepaid expenses and other assets | 13,735 | -- | 13,735 |
| Investments in real estate joint ventures | 18,804 | -- | 18,804 |
| Deferred lease and loan costs, net | 30,799 | -- | 30,799 |
| Total Assets | $ 2,516,090 | $ 278,000 | $ 2,794,090 |
| LIABILITIES AND STOCKHOLDERS' EQUITY: | | | |
| Mortgage notes payable | 492,243 | -- | $ 492,243 |
| Senior unsecured notes | 544,783 | -- | 544,783 |
| Credit facility | 188,988 | 278,000 | 466,988 |
| Accrued expenses and other liabilities | 78,511 | -- | 78,511 |
| Affiliate payables | 2,395 | -- | 2,395 |
| Deferred real estate taxes | 12,359 | -- | 12,359 |
| Dividend and distributions payable | 19,663 | -- | 19,663 |
| Total Liabilities | 1,338,942 | 278,000 | 1,616,942 |
| Minority partners' interest and preferred interest in consolidated partnerships | 127,173 | -- | 127,173 |
| Preferred unit interest in the operating partnership | 42,518 | -- | 42,518 |
| Limited partners' minority interest in operating partnership | 140,174 | -- | 140,174 |
| | 309,865 | -- | 309,865 |
| STOCKHOLDERS' EQUITY: | | | |
| Preferred Stock | 92 | -- | 92 |
| Common Stock | 400 | -- | 400 |
| Class B common stock | 80 | -- | 80 |
| Additional paid-in capital | 866,711 | -- | 866,711 |
| Total Stockholders' Equity | 867,283 | -- | 867,283 |
| Total Liabilities and Stockholders' Equity | $ 2,516,090 | $ 278,000 | $ 2,794,090 |

See accompanying notes to pro forma financial statements.

RECKSON ASSOCIATES REALTY CORP.

PRO FORMA CONDENSED COMBINING STATEMENT OF OPERATIONS

ASSUMING RECKSON STOCKHOLDERS DO NOT APPROVE THE SHARE ISSUANCE PROPOSAL
FOR THE YEAR ENDED DECEMBER 31, 1998

(UNAUDITED)
(DOLLARS IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)

| | PRO FORMA AS PREVIOUSLY REPORTED (C) | 919 MORTGAGE (D) | PRO FORMA ADJUSTMENT (E) | DECEMBER 31, 1998 PRO FORMA |
|---|---|---|---|---|
| Revenues: | | | | |
| Base rents | $322,897 | $44,190 | $ -- | $ 367,087 |
| Tenant escalations and reimbursements | 27,744 | 7,348 | -- | 35,092 |
| Equity in earnings of real estate joint ventures | 603 | -- | -- | 603 |
| Equity in earnings of service companies | 1,530 | -- | -- | 1,530 |
| Interest income on mortgage notes and notes receivable | 7,739 | -- | -- | 7,739 |
| Other | 5,026 | -- | -- | 5,026 |
| Total Revenues | 365,539 | 51,538 | -- | 417,077 |
| Expenses: | | | | |
| Operating Expenses: | | | | |
| Property operating expenses | 69,646 | 12,264 | -- | 81,910 |
| Real estate taxes | 48,510 | 10,403 | -- | 58,913 |
| Ground rents | 2,444 | 515 | -- | 2,959 |
| Marketing, general and administrative | 21,697 | -- | -- | 21,697 |
| Total Operating Expenses | 142,297 | 23,182 | -- | 165,479 |
| Interest | 75,818 | -- | 18,959 | 94,777 |
| Depreciation and amortization | 65,665 | -- | 7,877 | 73,542 |
| Total Expenses | 283,780 | 23,182 | 26,836 | 333,798 |
| Income before minority interest and extraordinary items | 81,759 | 28,356 | (26,836) | 83,279 |
| Minority partners' and preferred interest in consolidated partnerships (income) | (9,083) | -- | -- | (9,083) |
| Distributions to preferred unitholders/shareholders | (14,244) | -- | -- | (14,244) |
| Income before limited partners' minority interest in operating partnership income and extraordinary items | $ 58,432 | $28,356 | $(26,836) | $ 59,952 |
| Limited Partners' minority interest in operating partnership income | | | | (7,660)(F) |
| Net income before extraordinary item | | | | $ 52,292 |
| Basic income per share of common stock before extraordinary item | | | | $ 0.99(G) |
| Basic weighted average number of shares of common stock outstanding | | | | 39,473 |
| Diluted income per share of common stock before extraordinary item | | | | $ 0.98(G) |
| Diluted weighted average number of shares of common stock outstanding | | | | 40,010 |
| Basic income per share of class B common stock before extraordinary item | | | | $ 1.64(G) |
| Basic weighted average number of class B shares of common stock outstanding | | | | 8,005 |
| Diluted income per share of class B common stock before extraordinary item | | | | $ 1.08(G) |
| Diluted weighted average number of shares of class B common stock outstanding | | | | 8,005 |

See accompanying notes to pro forma financial statements.

## NOTES TO UNAUDITED PRO FORMA COMBINED FINANCIAL STATEMENTS OF RECKSON -- ASSUMING RECKSON STOCKHOLDERS DO NOT APPROVE THE SHARE ISSUANCE PROPOSAL

### PRO FORMA CONDENSED COMBINING BALANCE SHEET

A. Reflects Reckson's unaudited pro forma balance sheets as of December 31, 1998, as previously reported in Reckson's registration statement on Form S-4 relating to the proposed acquisition of Tower Realty Trust, Inc.

B. Reflects the acquisition by Metropolitian Partners, a consolidated subsidiary of Reckson, of the first mortgage note secured by 919 Third Avenue in New York City for a purchase price of approximately $278 million. The mortgage note matured in 1997; however, a foreclosure of the mortgage note may not be completed until September 30, 2000. Reckson and Reckson Operating Partnership have a currently effective registration statement on file with the Securities and Exchange Commission relating to the proposed acquisition of Tower Realty Trust, Inc. Rule 3-14 of Regulation S-X ("Rule 3-14") specifies the requirements for financial statements when the registrant, since the date of the latest balance sheet required, has acquired or proposes to acquire one or more properties which in the aggregate are significant (as defined). Included in the category of properties acquired or to be acquired under Rule 3-14 are operating properties underlying certain mortgage loans, which in economic substance represent an investment in real estate rather than a loan. Since the mortgage note to be acquired by Reckson provides it with the same risks and potential rewards as the owner of 919 Third Avenue the first mortgage note is being treated as an investment in real estate for financial reporting purposes.

Reckson and Metropolitan Partners contemplate financing the transaction through a combination of borrowings under their credit facilities and proceeds from a private placement of equity securities of Reckson. The equity securities are expected to be in the form of convertible preferred stock. Reckson and two institutional investors have an agreement in principle on the material terms for the equity securities; however, these agreements are non-binding and are subject to the execution of definitive documents. Because definitive documents have not been executed for the proposed private placement of equity securities, the pro forma adjustment assumes that the entire purchase price of the mortgage note is funded with borrowings under Reckson's credit facility. If the purchase price of the mortgage note had been funded with a combination of borrowings under Reckson's credit facility and the proceeds from the private placement based on the agreement in principle the effect would be to decrease net income available to common shareholders by approximately $1,168 and decrease basic and diluted earnings per share of Reckson common strock by $0.02 and $0.02, respectively and basic and diluted earnings per share of Reckson class B common stock by $0.03 and $0.03, respectively.

### PRO FORMA CONDENSED COMBINING STATEMENT OF OPERATIONS FOR THE YEAR ENDED DECEMBER 31, 1998.

C. Reflects the unaudited pro forma operations of Reckson for the year ended December 31, 1998, as previously reported in Reckson's registration statement on Form S-4 relating to the proposed acquisition of Tower Realty Trust, Inc.

D. Reflects the combined revenues and certain expenses of 919 Third Avenue for the year ended December 31, 1998.

E. Reflects the increase in interest cost associated with additional borrowings under the credit facility ($18,959) based upon the pro forma weighted average rate of approximately 6.8% for the year ended December 31, 1998. The pro forma adjustment also reflects the increase in depreciation expense associated with the acquisition of 919 Third Avenue.

The following table summarizes the calculation of the pro forma depreciation expense adjustment:

(DOLLARS IN THOUSANDS)

| | |
|---|---|
| Pro forma real estate addition | $ 278,000 |
| Allocation to building | 85% |
| Total allocation to building | 236,300 |
| Depreciable life | 30 |
| Pro forma depreciation expense adjustment | $ 7,877 |

F. Represents the minority interest of the limited partners in Reckson OP based upon the pro forma rate of approximately 13.05% as of December 31, 1998.

G. Basic pro forma income per share of Reckson common stock and Reckson class B common stock before extraordinary items is based upon the proration of income based on the relative amounts distributable to each class of shareholders and the average number of shares of Reckson common stock outstanding during the year ended December 31, 1998 of 39,473,000 and the 8,005,000 Class B shares issued.

Diluted pro forma income per share of Reckson common stock before extraordinary items is based upon the diluted weighted average number of shares of Reckson common stock outstanding during the year ended December 31, 1998 of 40,010,000.

Diluted pro forma net income per share of Reckson class B common stock is based upon the impact of the conversion of all outstanding Reckson class B shares to Reckson common stock, on a one-for-one basis, resulting in a weighted average number of shares oustanding during the year ended December 31, 1998 of 55,743,000, net of the add-back of the income allocated to the holders of the Reckson class B common stock of approximately $13,166 for the year ended December 31, 1998.

## UNAUDITED PRO FORMA COMBINED FINANCIAL STATEMENTS OF RECKSON OP--ASSUMING RECKSON STOCKHOLDERS DO NOT APPROVE THE SHARE ISSUANCE PROPOSAL

The following unaudited pro forma combined financial statements are presented as if Reckson OP had acquired the first mortgage note secured by 919 Third Avenue (the "919 Mortgage") on December 31, 1998 with respect to the balance sheet and on January 1, 1998 with respect to the statement of operations.

The following pro forma combined financial statements are presented for illustrative purposes only and are not indicative of the financial position or results of operations of future periods or the results that actually would have been realized had Reckson OP owned the 919 Mortgage during the specified periods. The pro forma combined financial statements, including the notes thereto, should be read in conjunction with the Pro Forma Combined Financial Statements of Reckson OP--Assuming Reckson Stockholders Do Not Approve the Share Issuance Proposal, as previously reported in Reckson OP's registration statement on Form S-4, relating to the proposed acquisition of Tower Realty Trust, Inc. and the historical financial statements and notes thereto of Reckson OP included in its registration statement on Form S-4, relating to the proposed acquisition of Tower Realty Trust, Inc.

RECKSON OPERATING PARTNERSHIP, L.P.

PRO FORMA CONDENSED COMBINING BALANCE SHEET

ASSUMING RECKSON STOCKHOLDERS DO NOT APPROVE THE SHARE ISSUANCE PROPOSAL

AS OF DECEMBER 31, 1998

(UNAUDITED)
(DOLLARS IN THOUSANDS)

| | PRO FORMA AS PREVIOUSLY REPORTED(A) | 919 MORTGAGE(B) | DECEMBER 31, 1998 PRO FORMA |
|---|---|---|---|
| ASSETS: | | | |
| Real estate, net | $ 2,032,687 | $ -- | $ 2,032,687 |
| Real estate held for sale | 225,000 | -- | 225,000 |
| Cash and cash equivalents | 7,302 | -- | 7,302 |
| Tenant receivables | 10,266 | -- | 10,266 |
| Affiliate receivables | 53,154 | -- | 53,154 |
| Deferred rent receivables | 22,526 | -- | 22,526 |
| Investment in mortgage notes and notes receivable | 99,268 | 278,000 | 377,268 |
| Investment in Metropolitan Partners | -- | -- | -- |
| Contract and land deposits and other pre-acquisition costs | 2,253 | -- | 2,253 |
| Prepaid expenses and other assets | 13,735 | -- | 13,735 |
| Investments in real estate joint ventures | 18,804 | -- | 18,804 |
| Deferred lease and loan costs, net | 30,799 | -- | 30,799 |
| Total Assets | $ 2,515,794 | $ 278,000 | $ 2,793,794 |
| LIABILITIES AND STOCKHOLDERS' EQUITY: | | | |
| Mortgage notes payable | $ 492,243 | $ -- | $ 492,243 |
| Senior unsecured notes | 544,783 | -- | 544,783 |
| Credit facility | 188,988 | 278,000 | 466,988 |
| Accrued expenses and other liabilities | 78,330 | -- | 78,330 |
| Affiliate payables | 2,395 | -- | 2,395 |
| Deferred real estate taxes | 12,359 | -- | 12,359 |
| Dividends and distributions payable | 19,663 | -- | 19,663 |
| Total Liabilities | 1,338,761 | 278,000 | 1,616,761 |
| Minority partners' and preferred interest in consolidated partnership | 127,173 | -- | 127,173 |
| Partners' capital: | | | |
| Preferred capital | 263,126 | -- | 263,126 |
| General partner's capital | 646,560 | -- | 646,560 |
| Limited partners' capital | 140,174 | -- | 140,174 |
| Total Partners' Capital | 1,049,860 | -- | 1,049,860 |
| Total Liabilities and Partners' Capital | $ 2,515,794 | $ 278,000 | $ 2,793,794 |

See accompanying notes to pro forma financial statements.

RECKSON OPERATING PARTNERSHIP, L.P.
PRO FORMA CONDENSED COMBINING STATEMENT OF OPERATIONS
ASSUMING RECKSON STOCKHOLDERS DO NOT APPROVE THE SHARE ISSUANCE PROPOSAL
FOR THE YEAR ENDED DECEMBER 31, 1998
(UNAUDITED)
(DOLLARS IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)

| | PRO FORMA AS PREVIOUSLY REPORTED(C) | 919 MORTGAGE(D) | PRO FORMA ADJUSTMENTS(E) | DECEMBER 31, 1998 PRO FORMA |
|---|---|---|---|---|
| REVENUES: | | | | |
| Base rents | $ 322,897 | $ 44,190 | $ -- | $ 367,087 |
| Tenant esacalations and reimbursements | 27,744 | 7,348 | -- | 35,092 |
| Equity in earnings of real estate joint ventures | 603 | -- | -- | 603 |
| Equity in earnings of service companies | 1,530 | -- | -- | 1,530 |
| Interest income on mortgage notes and notes receivable | 7,739 | -- | -- | 7,739 |
| Other | 4,965 | -- | -- | 4,965 |
| Total Revenues | 365,478 | 51,538 | -- | 417,016 |
| EXPENSES: | | | | |
| Operating Expenses: | | | | |
| Property operating expenses | 69,646 | 12,264 | -- | 81,910 |
| Real estate taxes | 48,510 | 10,403 | -- | 58,913 |
| Ground rents | 2,444 | 515 | -- | 2,959 |
| Marketing, general and administrative | 20,808 | -- | -- | 20,808 |
| Total Operating Expenses | 141,408 | 23,182 | -- | 164,590 |
| Interest | 75,818 | -- | 18,959 | 94,777 |
| Depreciation and amortization | 65,665 | -- | 7,877 | 73,542 |
| Total Expenses | 282,891 | 23,182 | 26,836 | 332,909 |
| Income before minority interest and extraordinary items | 82,587 | 28,356 | (26,836) | 84,107 |
| Minority partners' and preferred interest in consolidated partnerships (income) | (9,139) | -- | -- | (9,139) |
| Distributions to preferred unitholders/ shareholders | (14,244) | -- | -- | (14,244) |
| Income before limited partners' minority interest in Operating Partnership income and extraordinary items | $ 59,204 | $ 28,356 | $ (26,836) | $ 60,724 |
| Limited Partner | | | | $ 7,759(G) |
| General Partner-Class A | | | | $ 39,630(F) |
| General Partner-Class B | | | | $ 13,336(F) |
| Net Income per Unit: | | | | |
| Limited Partner | | | | $ 1.00 |
| General Partner-Class A | | | | $ 1.00 |
| General Partner-Class B | | | | $ 1.67 |

See accompanying notes to pro forma financial statements.

NOTES TO UNAUDITED PRO FORMA COMBINED FINANCIAL STATEMENTS OF RECKSON OP--ASSUMING RECKSON STOCKHOLDERS DO NOT APPROVE THE SHARE ISSUANCE PROPOSAL

PRO FORMA CONDENSED COMBINING BALANCE SHEET

A. Reflects Reckson OP's unaudited pro forma balance sheet as of December 31, 1998, as previously reported Reckson in OP's registration statement on Form S-4 relating to the proposed acquisition of Tower Realty Trust, Inc.

B. Reflects the acquisition by Metropolitan Partners, a consolidated subsidiary of Reckson OP of the first mortgage note secured by 919 Third Avenue in New York City for a purchase price of approximately $278 million. The mortgage note matured in 1997; however, a foreclosure of the mortgage note may not be completed until September 30, 2000. Reckson and Reckson OP have a currently effective registration statement on file with the Securities and Exchange Commission relating to the proposed acquisition of Tower Realty Trust, Inc. Rule 3-14 of Regulation S-X ("Rule 3-14") specifies the requirements for financial statements when the registrant, since the date of the latest balance sheet required, has acquired or proposes to acquire one or more properties which in the aggregate are significant (as defined). Included in the category of properties acquired or to be acquired under Rule 3-14 are operating properties underlying certain mortgage loans, which in economic substance represent an investment in real estate rather than a loan. Since the mortgage note to be acquired by Reckson OP provides it with the same risks and potential rewards as the owner of 919 Third Avenue the first mortgage note is being treated as an investment in real estate for financial reporting purposes.

Reckson OP and Metropolitan Partners contemplate financing the transaction through a combination of borrowings under their credit facilities and proceeds from a private placement of equity securities of Reckson OP. The equity securities are expected to be in the form of convertible preferred units. Reckson OP and two institutional investors have an agreement in principle on the material terms for the equity securities; however, these agreements are non-binding and are subject to the execution of definitive documents. Because definitive documents have not been executed for the proposed private placement of equity securities, the pro forma adjustment assumes that the entire purchase price of the mortgage note is funded with borrowings under Reckson OP's credit facility. If the purchase price of the mortgage note had been funded with a combination of borrowings under Reckson OP's credit facility and the proceeds from the private placement based on the agreement in principle the effect would be to decrease net income available to common unitholders by approximately $1,339 and decrease basic earnings per class A and class B unit by $0.02 and $0.04, respectively.

PRO FORMA CONDENSED COMBINING STATEMENTS OF OPERATIONS FOR THE YEAR ENDED DECEMBER 31, 1998

C. Reflects Reckson Operating Partnership's unaudited pro forma operations for the year ended December 31, 1998, as previously reported in Reckson OP's registration statement on Form S-4 relating to the proposed acquisition of Tower Realty Trust, Inc.

D. Reflects the combined revenues and certain expenses of 919 Third Avenue for the year ended December 31, 1998.

E. Reflects the increase in interest cost associated with additional borrowings under the credit facility ($18,959) based upon the pro forma weighted average interest rate of approximately 6.8% for the year ended December 31, 1998. The pro forma adjustment also reflects the increase in depreciation expense associated with the acquisition of 919 Third Avenue.

The following table summarizes the calculation of the pro forma depreciation expense adjustment:

(DOLLARS IN THOUSANDS)

| | |
|---|---|
| Pro forma real estate addition | $ 278,000 |
| Allocation to building | 85% |
| Total allocation to building | 236,300 |
| Depreciable life | 30 |
| Pro forma depreciation expense adjustment | $ 7,877 |

F. General Partner Class A and B basic pro forma income per share before extraordinary items is based upon the proration of income based on the relative amounts distributable to each class of unitholders and the average number of Class A units outstanding during the year ended December 31, 1998 of 39,473,000 and 8,005,000 Class B units issued.

G. Limited Partner pro forma income before extraordinary items is based upon the proration of income based on the relative amounts distributable to each class of unitholders and the average number of limited partnership units outstanding during the year ended December 31, 1998 of 7,728,000.

EXHIBIT 23.1

CONSENT OF INDEPENDENT AUDITORS

We consent to the incorporation by reference in the Registration Statement (Form S-3 No. 333-67129) of Reckson Associates Realty Corp. and Reckson Operating Partnership, L.P. of our report dated March 4, 1999, with respect to the combined statement of revenues and certain expenses of 919 Third Avenue (as defined therein) for the year ended December 31, 1998 included in this Current Report on Form 8-K.

Ernst & Young LLP

New York, New York
May 4, 1999

EXHIBIT 23.2

CONSENT OF INDEPENDENT AUDITORS

We Consent to the incorporation by reference in the Registration Statement (Form S-4 No. 333-74285) of Reckson Associates Realty Corp. and Reckson Operating Partnership, L.P. and related Prospectus of our report dated March 4, 1999, with respect to the combined statement of revenues and certain expenses of 919 Third Avenue (as defined therein) for the year ended December 31, 1998 included in this Current Report on Form 8-K.

Ernst & Young LLP

New York, New York
May 4, 1999

Exhibit 99.1

PRESS RELEASE

RECKSON ASSOCIATES REALTY CORP.
225 BROADHOLLOW ROAD
MELVILLE, NEW YORK 11747
(516) 694-6900 (PHONE)
(516) 622-6786 (FACSIMILE)
CONTACT: SCOTT RECHLER, PRESIDENT
MICHAEL MATURO, C.F.O.

---

FOR IMMEDIATE RELEASE

RECKSON ANNOUNCES AGREEMENT TO ACQUIRE FIRST MORTGAGE NOTE SECURED BY 919 THIRD AVENUE, A 1.4 MILLION SQ. FT. CLASS A OFFICE BUILDING IN NEW YORK CITY FOR $277.5 MILLION

ALSO

ANNOUNCES AGREEMENT TO SELL $150 MILLION OF CONVERTIBLE PREFERRED STOCK TO STICHTING PENSIOENFONDS ABP AND TRAVELERS INSURANCE COMPANY

(MELVILLE, NEW YORK, MAY 10, 1999) - RECKSON ASSOCIATES REALTY CORP. (NYSE: RA) has announced that the Company has entered into an agreement to acquire a first mortgage note secured by 919 Third Avenue, a 1.4 million square foot, 42 story, Class A office building located in New York City, for a purchase price of approximately $277.5 million, or $200 per square foot. Simultaneously, the Company announced it has agreed on terms to sell $150 million of Perpetual Convertible Preferred Securities ("the Preferred Securities") in a private placement, $100 million of which will be purchased by Stichting Pensioenfonds ABP ("ABP") and $50 million which will be purchased by Travelers Insurance Company ("Travelers") and affiliated investment entities.

The pending 919 Third Avenue transaction represents Reckson's first New York City real estate acquisition subsequent to the Company's announced merger with Tower Realty Trust, a New York City based real estate investment trust that owns and operates 2.1 million square feet of space in Manhattan. The 919 Third Avenue office tower is located at Third Avenue between 55th and 56th Street. The building was constructed in 1971 and is currently undergoing an $80 million capital improvement, re-leasing and modernization program.

The building is currently 98% leased, with approximately 705,000 square feet leased to the law firm of Skadden, Arps, Slate, Meagher & Flom, which will vacate the premises in April of 2000. New long-term leases have been signed with the law firm of Debevoise & Plimpton for approximately 417,000 square feet, the law firm of Schulte Roth & Zabel for approximately

212,000 square feet and Banque Nationale de Paris for approximately 188,000 square feet, effectively re-leasing this to be vacated space.

Reckson's acquisition of the first mortgage note secured by 919 Third Avenue is expected to close in early June and entitles its holder to all of the cash flow of 919 Third Avenue and to substantial rights over the operation of the property. Reckson expects to ultimately obtain title to the property.

"This value-added transaction involving this high profile Class A office tower will double our portfolio size in Manhattan and solidify Reckson's franchise in the New York City marketplace", commented Donald Rechler, Chairman and Chief Executive Officer of Reckson.

Scott Rechler, President and Chief Operating Officer of Reckson, commented, "This transaction confirms our belief that we can source and capitalize on entrepreneurial opportunities and effectively execute our value creation strategy in the New York City marketplace. The 919 Third Avenue transaction involved a complex series of negotiations with Japanese owners and their New York City real estate advisors. They appreciated the Reckson franchise and our ability to focus our efforts to formulate a creative transaction and negotiate final terms in an expeditious manner."

Tod Waterman, Managing Director of Reckson's New York City Division, said, "The property will generate an NOI yield of approximately 9.5% until Skadden, Arps, Slate, Meagher & Flom vacates in April 2000. Once the new tenants take occupancy in the first quarter of 2002 the building will begin to re-stabilize at an approximate 9.5% NOI yield. The yield is expected to increase to 11.5% as below market leases are replaced through 2005. We will continue the $80 million repositioning program which will include base building infrastructure improvements, tenant build-out of over 800,000 square feet and aesthetic improvements to the interior and exterior of the building. After installation of Schulte Roth & Zabel; Debevoise & Plimpton; and Banque Nationale de Paris and the completion of the repositioning program, the property will be one of the premier Class A office towers in Manhattan for a total investment cost of less than $275 per square foot, which is equal to a 35% discount to replacement cost. This deal again demonstrates Reckson's ability to undertake large complex transactions in the Manhattan market and enhances our position as one of the premier landlords in the Tri-State area."

In conjunction with this transaction, Reckson has announced that ABP and Travelers have agreed to acquire $150 million ($25.00 per share) of Preferred Securities from Reckson in a private placement. Commenting on the transaction, Michael Maturo, Chief Financial Officer of Reckson, said, "Both ABP and Travelers invested a significant amount of time evaluating and understanding our Company's core operating and development processes and systems, as well as our value creation philosophy and management team. We are extremely pleased to have two of the world's most prestigious financial institutions endorse our Company through this investment. ABP and Travelers are the type of long-term investors that we welcome as shareholders." Mr. Maturo further commented, "Developing relationships with investors such as ABP and Travelers provides Reckson with the ability to expeditiously respond to opportunistic investments such as

919 Third Avenue in a manner that enables us to maintain our conservative capital structure."

The Preferred Securities will accrue cumulative dividends at a rate of 7.85% in year one, 8.35% in year two and 8.85% in year three and thereafter. Each Preferred Security will be convertible at a 15% premium to the trailing 10 day average price of Reckson's common stock prior to pricing. The Preferred Securities will be redeemable for cash or stock at the option of the Company at anytime after the fourth anniversary of the closing up to and including the fifth anniversary of the closing at 102% of the liquidation value, and anytime thereafter at 100% of the liquidation value. In addition, after the 33rd month and through the fourth anniversary of the closing, the Preferred Securities will be redeemable for cash or stock at the option of the Company by providing an aggregate 15% IRR to investors. The Preferred Securities will not initially be registered under the Securities Act of 1933 and may not be offered or sold in the United States absent registration or an applicable exception from registration requirements. The terms of the Preferred Securities are subject to final documentation. There can be no assurances that these terms will not be amended or that the transaction will be consummated.

In order to give shareholders time to understand this acquisition Reckson has moved the date of the Company's special meeting of stockholders relating to the Tower acquisition to May 24, 1999 at 10:00 a.m. at 333 Earl Ovington Boulevard, Uniondale, New York.

Reckson Associates Realty Corp. 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.

Reckson's core growth strategy is focused on the markets surrounding and including New York City. Since the completion of its initial public offering in May 1995, Reckson has acquired or contracted to acquire approximately $1.3 billion of properties comprising approximately 17.1 million square feet of space, excluding Reckson's pending acquisition of Tower Realty Trust, Inc.

Reckson is one of the largest publicly-traded owners and managers of Class A office and industrial properties in the New York City "Tri-State" area, with 204 properties comprised of approximately 21.6 million square feet either owned and controlled, directly or indirectly, or under contract, excluding Reckson's pending acquisition of Tower Realty Trust, Inc.

THIS INFORMATION CONTAINS FORWARD-LOOKING INFORMATION THAT IS SUBJECT TO CERTAIN RISKS, TRENDS AND UNCERTAINTIES THAT COULD CAUSE ACTUAL RESULTS TO DIFFER MATERIALLY FROM THOSE PROJECTED. AMONG THOSE RISKS, TRENDS AND UNCERTAINTIES ARE THE GENERAL ECONOMIC CLIMATE; THE SUPPLY OF AND DEMAND FOR OFFICE AND INDUSTRIAL PROPERTIES IN THE NEW YORK METROPOLITAN TRI-STATE AREA; INTEREST RATE LEVELS; THE AVAILABILITY OF FINANCING (INCLUDING FINAL EXECUTION OF DEFINITIVE DOCUMENTATION FOR THE PREFERRED SECURITIES); 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. FOR FURTHER INFORMATION ON FACTORS WHICH COULD IMPACT THE COMPANY, REFERENCE IS MADE TO THE COMPANY'S FILINGS WITH THE SECURITIES AND EXCHANGE COMMISSION.