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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 10-Q

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

For the quarterly period ended June 30, 2006

Commission file number: 1-13762

RECKSON OPERATING PARTNERSHIP, L. P.
(Exact name of registrant as specified in its charter)

Delaware (State or other jurisdiction of incorporation or organization)	**11-3233647** (IRS Employer Identification Number)
625 Reckson Plaza, Uniondale, NY (Address of principal executive office)	**11556** (zip code)

(516) 506-6000
(Registrant's telephone number including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports) Yes ☒ No ☐, and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act (Check One):

Large Accelerated Filer ☐ Accelerated Filer ☐ Non-Accelerated File ☒

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes ☐ No ☒.

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PART I - FINANCIAL INFORMATION

ITEM 1 - FINANCIAL STATEMENTS

RECKSON OPERATING PARTNERSHIP, L.P.
CONSOLIDATED BALANCE SHEETS
(in thousands, except unit amounts)

	June 30, 2006	December 31, 2005
	(unaudited)	
ASSETS		
Commercial real estate properties, at cost:		
Land	$ 428,357	$ 430,064
Buildings and improvements	2,886,834	2,823,020
Developments in progress:		
Land	127,309	123,761
Development costs	137,138	99,570
Furniture, fixtures and equipment	13,208	12,738
	3,592,846	3,489,153
Less accumulated depreciation	(587,317)	(532,152)
Investments in real estate, net of accumulated depreciation	3,005,529	2,957,001
Properties and related assets held for sale, net of accumulated depreciation	68,795	194,297
Investments in real estate joint ventures	46,816	61,526
Investments in mortgage notes and notes receivable	169,784	174,612
Cash and cash equivalents	32,103	17,468
Tenant receivables	12,804	20,196
Investments in affiliate loans and joint ventures	67,526	64,954
Deferred rents receivable	147,000	138,990
Prepaid expenses and other assets	88,029	109,004
Deferred leasing and loan costs, net of accumulated amortization	81,308	78,411
Total Assets	$ 3,719,694	$ 3,816,459
LIABILITIES		
Mortgage notes payable	$ 464,110	$ 541,382
Mortgage notes payable and other liabilities associated with properties held for sale	63,839	84,572
Unsecured credit facility	92,000	419,000
Senior unsecured notes	1,254,932	980,085
Accrued expenses and other liabilities	118,435	118,661
Deferred revenues and tenant security deposits	70,349	75,903
Dividends and distributions payable	36,582	36,398
Total Liabilities	2,100,247	2,256,001
Minority partners' interests in consolidated partnerships and other interests	266,693	219,358
Commitments and contingencies	—	—
PARTNERS' CAPITAL:		
Preferred capital 1,200 units issued and outstanding	1,200	1,200
General Partners' Capital:		
Class A common units, 83,217,550 and 82,995,931 units outstanding, respectively	1,317,790	1,306,236
Limited Partners' Capital:		
Class A common units, 1,546,133 and 1,569,142 units issued and outstanding, respectively	24,379	24,555
Class C common units, 456,621 units issued and outstanding	7,200	7,290
Accumulated other comprehensive income	2,185	1,819
Total Partners' Capital	1,352,754	1,341,100
TOTAL LIABILITIES AND PARTNERS' CAPITAL	$ 3,719,694	$ 3,816,459

(see accompanying notes to financial statements)

RECKSON OPERATING PARTNERSHIP, L.P.
CONSOLIDATED STATEMENTS OF INCOME
(Unaudited and in thousands, except per unit and unit amounts)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2006	2005	2006	2005
PROPERTY OPERATING REVENUES:				
Base rents	$ 128,575	$ 118,048	$ 244,660	$ 230,458
Tenant escalations and reimbursements	19,235	17,324	38,303	35,102
Total property operating revenues	147,810	135,372	282,963	265,560
OPERATING EXPENSES:				
Property operating expenses	56,974	51,216	117,209	103,956
Marketing, general and administrative	9,475	8,241	18,957	16,236
Depreciation and amortization	36,047	31,219	68,883	59,638
Total operating expenses	102,496	90,676	205,049	179,830
Operating income	45,314	44,696	77,914	85,730
NON-OPERATING INCOME AND EXPENSES:				
Gains on sales of real estate	—	—	35,393	—
Interest income on mortgage notes and notes receivable (including $1,126, $418, $2,248 and $1,269, respectively from related parties)	5,502	3,333	11,001	5,780
Investment income and other	2,329	454	14,406	1,136
Interest:				
Expense	(27,216)	(27,259)	(55,205)	(50,825)
Amortization of deferred financing costs	(1,017)	(1,068)	(2,139)	(2,059)
Long-term incentive compensation expense	(2,232)	—	(5,855)	—
Total non-operating income and expenses	(22,634)	(24,540)	(2,399)	(45,968)
Income before minority interests, equity in earnings of real estate joint ventures and discontinued operations	22,680	20,156	75,515	39,762
Minority partners' interests in consolidated partnerships and other interests	(4,052)	(3,965)	(8,512)	(7,822)
Equity in earnings of real estate joint ventures	1,815	83	2,211	234
Income before discontinued operations	20,443	16,274	69,214	32,174
Discontinued operations (net of minority interests):				
Income (loss) from discontinued operations	(51)	1,887	842	4,040
Gains on sales of real estate	—	175	9,518	175
Net income	$ 20,392	$ 18,336	$ 79,574	$ 36,389
Net income allocable to:				
Common unit holders	$ 20,271	$ 18,225	$ 79,098	$ 36,169
Common C common unit holders	121	111	476	220
Total	$ 20,392	$ 18,336	$ 79,574	$ 36,389
Net income per weighted average common units:				
Income from continuing operations	$ .24	$ .20	$ .40	$ .38
Gain on sales of real estate	—	—	.41	—
Discontinued operations	—	.02	.12	.05
Basic net income per common unit	$ .24	$ .22	$ .93	$ .43
Class C common – income from continuing operations	$ .26	$ .21	$ .44	$ .42
Gain on sales of real estate	—	—	.46	—
Discontinued operations	—	.03	.14	.05

Basic net income per Class C common unit	$ .26	$ .24	$ 1.04	$ .47
Weighted average common units outstanding:				
Common units	84,760,000	83,999,000	84,695,000	83,923,000
Class C common units	460,000	466,000	463,000	466,000

(see accompanying notes to financial statements)

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Reckson Operating Partnership, L.P.
Consolidated Statements of Cash Flows
(Unaudited and in thousands)

	Six Months Ended June 30, 2006	Six Months Ended June 30, 2005
Cash Flows From Operating Activities:		
Net Income	$ 79,574	$ 36,389
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization (including discontinued operations)	72,089	65,579
Minority partners' interests in consolidated partnerships and other interests	8,586	7,854
Gains on sales of real estate	(44,982)	(181)
Sale of option to acquire joint venture interest	(9,016)	—
Undistributed earnings from real estate joint ventures	(1,870)	(205)
Changes in operating assets and liabilities:		
Deferred rents receivable	(7,957)	(17,444)
Prepaid expenses and other assets	13,393	11,894
Tenant receivables	7,419	(1,013)
Accrued expenses and other liabilities	(14,305)	(4,839)
Tenant security deposits	(4,016)	6,749
Net cash provided by operating activities	98,915	104,783
Cash Flows From Investment Activities:		
Purchases of commercial real estate properties	—	(547,823)
Additions to Note Receivable Investments	(14,687)	(50,219)
Repayments of Notes Receivable Investments	16,990	2,952
Additions to developments in progress	(30,780)	(22,590)
Additions to commercial real estate properties	(29,540)	(30,491)
Payment of deferred leasing costs	(10,538)	(9,108)
Investments in real estate joint ventures	—	(6,223)
Distributions from unconsolidated real estate joint ventures	3,270	—
Additions to furniture, fixtures and equipment	(241)	(606)
Proceeds from sale of option to acquire joint venture interest	9,016	—
Proceeds from sales of real estate	182,978	1,285
Increase in contract and land deposits and pre-acquisition costs	(326)	(5,221)
Net cash provided by (used in) investing activities	126,142	(668,044)
Cash Flows From Financing Activities:		
Principal payments on secured borrowings	(77,437)	(5,742)
Proceeds from issuance of senior unsecured notes, net of issuance costs	272,819	281,750
Payment of loan and equity issuance costs	(512)	(1,683)
Proceeds from unsecured credit facility	44,000	182,000
Principal payments on unsecured credit facility	(371,000)	(289,500)
Proceeds from unsecured bridge facility	—	470,000
Proceeds from unsecured term loan	250,000	—
Principal payments on unsecured term loan	(250,000)	—
Proceeds from issuance of common stock, net of issuance costs, and exercise of stock options	2,279	3,369
Contributions by minority partners in consolidated partnerships	1,798	—
Distributions to minority partners in consolidated partnerships	(8,474)	(5,629)
Distributions to limited partners in the operating partnership	(2,481)	(3,173)
Dividends to common shareholders	(71,414)	(69,596)
Net cash (used in) provided by financing activities	(210,422)	561,796
Net increase (decrease) in cash and cash equivalents	14,635	(1,465)
Cash and cash equivalents at beginning of period	17,468	25,137
Cash and cash equivalents at end of period	$ 32,103	$ 23,672

(see accompanying notes to financial statements)

RECKSON OPERATING PARTNERSHIP, L.P. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2006
(Unaudited)

1. ORGANIZATION AND FORMATION OF THE COMPANY

Reckson Operating Partnership, L.P. (the "Operating Partnership") commenced operations on June 2, 1995. Reckson Associates Realty Corp. (the "Company"), which serves as the sole general partner of the Operating Partnership, is a fully integrated, self administered and self managed real estate investment trust ("REIT"). The Operating Partnership and the Company were formed for the purpose of continuing the commercial real estate business of Reckson Associates, the predecessor of the Operating Partnership, its affiliated partnerships and other entities. Unless the context requires otherwise, the terms "Company", "we", "us", "our" and similar terms include Reckson Associates Realty Corp., Reckson Operating Partnership, L. P. and their wholly-owned subsidiaries.

The Operating Partnership is engaged in the ownership, management, operation, acquisition, leasing, financing and development of commercial real estate properties, principally office and to a lesser extent flex properties and also owns land for future development located in New York City and the surrounding tri-state area markets (the "New York Tri-State Markets").

The Company was incorporated in Maryland in September 1994. In June 1995, the Company completed an initial public offering (the "IPO") and commenced operations. On August 3, 2006, we entered into an Agreement and Plan of Merger with SL Green Realty Corp. (See Note 13).

The Company became the sole general partner of 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. The remaining 27% interest in the Operating Partnership was owned primarily by investors who contributed properties or interests in properties to the Operating Partnership in exchange for common units of limited partnership interest in the Operating Partnership ("OP Units"). Since the IPO the Company has completed numerous equity transactions and contributed any net proceeds received to the Operating Partnership, thereby increasing its general partnership interest. The Company's ownership percentage in the Operating Partnership was approximately 96.6% and 96.8% at June 30, 2006 and 2005, respectively. All properties acquired by the Company are held by or through the Operating Partnership.

2. BASIS OF PRESENTATION

The accompanying interim unaudited financial statements have been prepared by the Operating Partnership'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 U.S. generally accepted accounting principles ("GAAP") may have been condensed or omitted pursuant to such rules and regulations, although management believes that the disclosures are adequate so as not to make the information presented misleading. The unaudited financial statements at June 30, 2006 and for the three and six month periods ended June 30, 2006 and 2005 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, 2006. These financial statements should be read in conjunction with the Operating Partnership's audited financial statements and the notes thereto included in the Operating Partnership's Form 10-K for the year ended December 31, 2005.

The accompanying consolidated financial statements include the consolidated financial position of the Operating Partnership and the Service Companies (as defined below) at June 30, 2006 and December 31, 2005 and the consolidated results of their operations for the three and six month periods ended June 30, 2006 and 2005, respectively, and their cash flows for the six months ended June 30, 2006 and 2005, respectively. The Operating Partnership's investments in majority owned and controlled real estate joint ventures are reflected in the accompanying financial statements on a consolidated basis with a reduction for the minority partners' interest. The Operating Partnership's investments in real estate joint ventures, where it owns less than a controlling interest, are reflected in the accompanying financial statements on the equity method of accounting. The Service Companies, which provide management, develo pment and construction services to the Company, the Operating Partnership and to third parties include Reckson Management Group, Inc., RANY Management Group, Inc., Reckson Construction & Development LLC and Reckson Construction Group New York, Inc. (collectively, the "Service Companies"). All significant intercompany balances and transactions have been eliminated in the consolidated financial statements.

Minority partners' interests in consolidated partnerships represent a 49% non-affiliated interest in RT Tri-State LLC, owner of a six property suburban office portfolio located within the New York Tri-State Markets, a 40% non-affiliated interest in Omni Partners, L.P., owner of a 579,000 square foot suburban office property (the "Omni Property"), and a 49% non-affiliated interest in Metropolitan 919 3rd Avenue, LLC, owner of the property located at 919 Third Avenue, New York, NY.

At June 30, 2006, the Operating Partnership's investments in unconsolidated real estate joint ventures consisted of a 30% interest in the 1.4 million square foot Class A office tower located at One Court Square, Long Island City, NY (the "Court Square JV"), a 25% interest in Reckson Australia Operating Company LLC, owner of a 20 suburban office property portfolio, located within the New York Tri-State Markets, containing approximately 2.8 million square feet (the "Australian JV") and an approximate 5% indirect ownership interest in a 550,000 square foot office condominium in a Class A office tower located at 1166 Avenue of the Americas in New York, NY.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and footnotes thereto. Actual results could differ from those estimates.

Real Estate

Land, buildings and improvements, furniture, fixtures and equipment are recorded at cost. Tenant improvements, which are included in buildings and improvements, are also stated at cost. Expenditures for ordinary maintenance and repairs are expensed to operations as they are 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, which are included in buildings and improvements, are amortized on a straight-line basis over the term of the related leases. Depreciation expense for each of the three and six month periods ended June 30, 2006 and 2005 amounted to approximately $23.7 million, $47.1 million, $22.5 million and $43.3 million, respectively.

We are required to make subjective assessments as to the useful lives of our 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 our net income. Should we 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 us of certain other lease related costs must be made when we have a reason to believe that the tenant will not be able to execute under the term of the lease as originally expected.

On July 1, 2001 and January 1, 2002, we adopted Financial Accounting Standards Board ("FASB") Statement No.141, "Business Combinations" and FASB Statement No. 142, "Goodwill and Other Intangibles", respectively ("Statement No.'s 141 and 142"). As part of the acquisition of real estate assets, the fair value of the real estate acquired is allocated to the acquired tangible assets, consisting of land, building and building improvements, and identified intangible assets and liabilities, consisting of the value of above-market and below-market leases, other value of in-place leases, and value of tenant relationships, based in each case on their fair values.

We allocate a portion of a property's purchase price to tangible assets including the fair value of the building and building improvements on an as-if-vacant basis and to land determined either by real estate tax assessments, independent appraisals or other relevant data. Additionally, we assess fair value of identified intangible assets and liabilities based on estimated cash flow projections that utilize appropriate discount and capitalization rates and available market information.

Estimates of future cash flows are based on a number of factors including the historical operating results, known trends, and market/economic conditions that may affect the property. If we incorrectly estimate the values at acquisition or the undiscounted cash flows, initial allocation of purchase price and future impairment charges may be different.

Long Lived Assets

We are required to make subjective assessments as to whether there are impairments in the value of our real estate properties and other investments. An investment'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 investment is less than the carrying value of the investment. Such assessments consider factors such as cash flows, expected future operating income, trends and prospects, as well as the effects of demand, competition and other factors. To the extent impairment has occurred it will be measured as the excess of the carrying amount of the property over the fair value of the property. These assessments have a direct impact on our net income, as a recognition of an impairment results in an immediate negative adjustment to net income. In determining impairment, if any, we have followed FASB Statement No. 144, "Accounting for the Impairment or Disposal of Long Lived Assets" ("Statement No. 144"). Statement No. 144 did not have an impact on net income. Statement No. 144 only impacts the presentation of the results of operations and gains on sales of real estate assets for those properties sold during the period within the consolidated statements of income.

Cash Equivalents

We consider highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Tenants' lease security deposits aggregating approximately $8.5 million and $5.5 million at June 30, 2006 and December 31, 2005, respectively, have been included in cash and cash equivalents on the accompanying balance sheets.

Deferred Costs

Tenant leasing commissions, lease incentives and related costs incurred in connection with leasing tenant space are capitalized and amortized over the life of the related lease. Tenanting costs recorded as tenant improvements are amortized and included in depreciation and amortization expense on our consolidated statements of income. In contrast, tenanting costs recorded as lease incentives are amortized against base rents on our consolidated statements of income.

Loan costs incurred in obtaining financing are capitalized and amortized over the term of the related loan.

Costs incurred in connection with equity offerings are charged to partners' capital when incurred.

Income Taxes

No provision has been made for income taxes in the accompanying financial statements since such taxes, if any are the responsibility of the individual partners.

Revenue Recognition & Accounts Receivable

Minimum 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 accompanying balance sheets. Contractually due but unpaid rents are included in tenant receivables on the accompanying balance sheets. Certain lease agreements also provide for reimbursement of real estate taxes, insurance, common area maintenance costs and indexed rental increases, which are recorded on an accrual basis. Ancillary and other property related income is recognized in the period earned.

We make estimates of the collectibility of our accounts receivables related to base rents, tenant escalations and reimbursements and other revenue or income. We specifically analyze tenant receivables and historical bad debts, customer credit worthiness, current economic trends and changes in customer payment terms when evaluating the adequacy of our allowance for doubtful accounts. In addition, when tenants are in bankruptcy, we make estimates of the expected recovery of pre-petition administrative and damage claims. In some cases, the ultimate resolution of those claims can exceed a year. These estimates have a direct impact on our net income because a higher bad debt reserve results in less net income.

We incurred approximately $175,000 and $445,000 and $253,000 and $645,000 of bad debt expense and related costs related to tenant receivables during the three and six month periods ended June 30, 2006 and 2005, respectively, which accordingly reduced our total revenues and reported net income during those periods.

We record interest income on our investments in notes receivable on the accrual basis of accounting. We do 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 we consider 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.

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Reckson Construction & Development LLC and Reckson Construction Group New York, Inc. use the percentage-of-completion method for recording amounts earned on their contracts. This method records amounts earned as revenue in the proportion that actual costs incurred to date bear to the estimate of total costs at contract completion.

Gain on the sale of real estate is recorded when title is conveyed to the buyer, subject to the buyer's financial commitment being sufficient to provide economic substance to the sale and us having no substantial continuing involvement with the buyer. Additionally, in connection with a sale of real estate, if we retain certain risks in the form of guarantees, the profit recognized on that sale shall be reduced and deferred by the maximum exposure to loss, until such exposure is relieved.

Share Based Payments

On December 16, 2004, the FASB issued Statement No. 123 (revised 2004), "Share-Based Payment" ("Statement No. 123R"), which is a revision of Statement No. 123. Statement No. 123R supersedes Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees", and amends FASB Statement No. 95, "Statement of Cash Flows." Generally, the approach in Statement No. 123R is similar to the approach described in Statement No. 123. However, Statement No. 123R requires all share-based payments to employees, including grants of employee stock options, to be recognized in the income statement based on their fair values. We adopted Statement No. 123R on January 1, 2006. The adoption of Statement No. 123R did not have a material impact on our consolidated financial statements.

Accumulated Other Comprehensive Income (Loss)

We report comprehensive income or loss in accordance with the provisions of FASB Statement No. 130, "Reporting Comprehensive Income", which establishes standards for reporting comprehensive income and its components in the financial statements. The components of other comprehensive income (loss) ("OCI") consist of unrealized gains and losses on derivative instruments. OCI is presented in the accompanying consolidated statements of partners' capital.

Derivative Instruments

FASB Statement No. 133, "Accounting for Derivative Instruments and Hedging Activities" ("Statement No. 133"), as amended, establishes accounting and reporting standards for derivative instruments, including certain derivative instruments embedded in other contracts, and for hedging activities.

The accounting for changes in the fair value of derivatives depends on the intended use of the derivative and the resulting designation. Derivatives used to hedge the exposure to changes in the fair value of an asset, liability, or firm commitment attributable to a particular risk, such as interest rate risk, are considered fair value hedges. Derivatives used to hedge the exposure to variability in expected future cash flows, or other types of forecasted transactions, are considered cash flow hedges.

As required by Statement No. 133, we record all derivatives on our balance sheet at fair value. For effective hedges, depending on the nature of the hedge, changes in the fair value of the derivative will be offset against the corresponding change in fair value of the hedged asset, liability, or firm commitment through earnings or recognized in OCI until the hedged item is recognized in earnings.

For derivatives designated as cash flow hedges, the effective portion of changes in the fair value of the derivative is initially reported in OCI and subsequently reclassified to earnings when the hedged transaction affects earnings, and the ineffective portion of changes in the fair value of the derivative is recognized directly in earnings. We assess the effectiveness of each hedging relationship by comparing the changes in fair value or cash flows of the derivative hedging instrument with the changes in fair value or cash flows of the designated hedged item or transaction. For derivatives not designated as hedges, changes in fair value are recognized in earnings.

We do not enter into derivative financial instruments for trading or speculative purposes. However, in the normal course of our business and to help us manage our debt issuances and maturities, we do use derivative financial instruments in the form of cash flow hedges to protect ourselves against potentially rising interest rates.

Variable Interest Entities

In January 2003, the FASB issued Interpretation No. 46, “Consolidation of Variable Interest Entities” (“FIN 46”), which explains how to identify variable interest entities (“VIEs”) and how to assess whether to consolidate such entities. VIEs are primarily entities that lack sufficient equity to finance their activities without additional financial support from other parties or whose equity holders lack adequate decision making ability. All VIEs which we are involved with must be evaluated to determine the primary beneficiary of the risks and rewards of the VIE. The primary beneficiary is required to consolidate the VIE for financial reporting purposes. The initial determination of whether an entity qualifies as a VIE shall be made as of the date at which a primary beneficiary becomes involved with the entity and reconsidered as of the date of a triggering event, as defined. The provisions of this interpretation are immediately effective for VIEs formed after January 31, 2003. In December 2003, the FASB issued FIN 46R, deferring the effective date until the period ended March 31, 2004 for interests held by public companies in VIEs created before February 1, 2003, which were non-special purpose entities. We adopted FIN 46R during the period ended March 31, 2004 and have determined that our unconsolidated subsidiaries do not represent VIEs pursuant to such interpretation. We will continue to monitor any changes in circumstances relating to certain of our consolidated and unconsolidated joint ventures which could result in a change in our consolidation policy.

Current pronouncements

In July 2006, the FASB issued Interpretation No. 48, “Accounting for Uncertainty in Income Taxes” (“FIN 48”). This interpretation, among other things, creates a two step approach for evaluating uncertain tax positions. Recognition (step one) occurs when an enterprise concludes that a tax position, based solely on its technical merits, is more-likely-than-not to be sustained upon examination. Measurement (step two) determines the amount of benefit that more-likely-than-not will be realized upon settlement. De-recognition of a tax position that was previously recognized would occur when a company subsequently determines that a tax position no longer meets the more-likely-than-not threshold of being sustained. FIN 48 specifically prohibits the use of a valuation allowance as a substitute for de-recognition of tax positions, and it has expanded disclosure requirements. FIN 48 is effective for fiscal years beginning after December 15, 2006, in which the impact of adoption should be accounted for as a cumulative-effect adjustment to the beginning balance of retained earnings. We are currently evaluating FIN 48 and have not yet determined the impact the adoption will have on our consolidated financial statements.

In June 2005, the FASB ratified the consensus in EITF Issue No. 04-5, “Determining Whether a General Partner, or the General Partners as a Group, Controls a Limited Partnership or Similar Entity When the Limited Partners Have Certain Rights” (“Issue 04-5”), which provides guidance in determining whether a general partner controls a limited partnership. Issue 04-5 states that the general partner in a limited partnership is presumed to control that limited partnership. The presumption may be overcome if the limited partners have either (1) the substantive ability to dissolve the limited partnership or otherwise remove the general partner without cause or (2) substantive participating rights, which provide the limited partners with the ability to effectively participate in significant decisions that would be expected to be made in the ordinary course of the limited partnership’s business and thereby preclude the general partner from exercising unilateral control over the partnership. The adoption of Issue 04-5 by us for new or modified limited partnership arrangements is effective June 30, 2005 and for existing limited partnership arrangements effective January 1, 2006. We have evaluated the guidance provided for under Issue 04-5 and have concluded that we are not required to consolidate our current unconsolidated joint venture investments nor do we expect Issue 04-5 to have a material effect on our consolidated financial statements.

In May 2005, the FASB issued Statement No. 154, “Accounting Changes and Error Corrections” (“Statement No. 154”). Statement No. 154, which replaces APB Opinion No. 20, “Accounting Changes” and FASB Statement No. 3, “Reporting Accounting Changes in Interim Financial Statements”, changes the requirements for the accounting for and reporting of a change in accounting principle. The statement requires retrospective application of changes in accounting principle to prior periods’ financial statements unless it is impracticable to determine the period-specific effects or the cumulative effect of the change. Statement No. 154 is effective for accounting changes and corrections of errors made in fiscal years beginning after December 15, 2005. We adopted Statement No. 154 on January 1, 2006. The adoption of Statement No. 154 did not have a material impact on our consolidated financial position, results of operations or cash flows.

In March 2005, FASB issued Interpretation No. 47, “Accounting for Conditional Asset Retirement Obligations” (“FIN 47”), which became effective December 31, 2005. Under FIN 47, a conditional asset retirement obligation (“CARO”) must be recorded if the liability can be reasonably estimated. A CARO is an obligation that is settled at the time an asset is retired or disposed of and for which the timing and/or method of settlement are conditional on future events. We own certain properties that currently have asbestos which under certain conditions must be remediated. As a result of adopting FIN 47, we will increase the value of our recorded tangible assets at the time we recognize the associated conditional retirement obligation.

As a result, during 2005, we recorded approximately $2.0 million which represents the fair value of the CARO related to asbestos removal in tenant spaces. In addition, for certain limited areas of our properties, management is unable to reasonably determine the fair value of potential remediation costs as there is an indeterminate settlement date for the asset retirement obligation because the range of time over which way we may choose to remediate this condition may not be estimated with any level of precision which would lend itself to a meaningful estimate.

Reclassifications

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

3. Mortgage Notes Payable

On January 6, 2006, we sold two of our suburban office properties: 6800 and 6900 Jericho Turnpike, Jericho, NY to the Australian JV, subject to their mortgage debt of approximately $20.1 million. The Australian JV subsequently pre-paid the mortgage notes with proceeds from a new mortgage financing transaction.

Pursuant to the terms of the mortgage note encumbering the property located at 1350 Avenue of the Americas in New York, NY, the note was prepayable, without penalty, subsequent to March 31, 2006. On March 31, 2006, we satisfied the note and unencumbered the property by repaying the outstanding balance of approximately $71.9 million with proceeds received from property sales and cash-on-hand.

At June 30, 2006, we had 12 fixed rate mortgage notes payable with an aggregate outstanding principal amount of approximately $527.5 million. These mortgage notes are secured by properties with an aggregate cost basis at June 30, 2006 of approximately $1.1 billion and which are pledged as collateral against the mortgage notes payable. In addition, approximately $41.0 million of the $527.5 million is recourse to the Company. The mortgage notes bear interest at rates ranging from 5.20% to 8.50%, and mature between 2006 and 2015. The weighted average interest rate on the outstanding mortgage notes payable at June 30, 2006 was approximately 7.1%.

Certain of the mortgage notes payable are guaranteed by the Company and/or certain limited partners in the Operating Partnership. 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.

The following table sets forth our mortgage notes payable at June 30, 2006, by scheduled maturity date (dollars in thousands):

Property		Principal Amount Outstanding	Interest Rate	Maturity Date	Amortization Term (Years)
Landmark Square, Stamford, CT	(a)	$ 40,973	8.02%	October, 2006	25
100 Summit Lake Drive, Valhalla, NY		13,699	8.50%	April, 2007	15
333 Earle Ovington Blvd., Mitchel Field, NY	(b)	50,011	7.72%	August, 2007	25
810 Seventh Avenue, NY, NY	(c)	76,902	7.73%	August, 2009	25
275 Broadhollow Road, Melville, NY	(c)	14,966	7.73%	August, 2009	25
90 Merrick Avenue, East Meadow, NY	(c)	18,359	7.73%	August, 2009	25
580 White Plains Road, Tarrytown, NY	(d)	11,876	7.86%	September, 2010	25
520 Broadhollow Road, Melville, NY	(e)	11,869	5.20%	October, 2010	Interest Only
50 Marcus Avenue, Melville, NY	(e)	28,277	5.20%	October, 2010	Interest Only
1660 Walt Whitman Road, Melville, NY	(e)	11,386	5.20%	October, 2010	Interest Only
919 Third Avenue, NY, NY	(f)	236,675	6.87%	July, 2011	30
711 Westchester Avenue, White Plains, NY		12,525	5.36%	January, 2015	30 (g)
Total / Weighted average		$ 527,518	7.09%		

(a) Encompasses six Class A office properties.

(b) At June 30, 2006, we had a 60% general partnership interest in this property and our proportionate share of the aggregate principal amount of the mortgage was approximately $30.0 million.

(c) These mortgages are cross-collateralized.

(d) The property subject to this mortgage is contracted to be sold to the Australian JV in October 2006.

(e) These mortgages are cross-collateralized by properties that are contracted to be sold, subject to the mortgages, to the Australian JV in October 2006.

(f) We have a 51% membership interest in this property and our proportionate share of the aggregate principal amount of the mortgage is approximately $120.7 million.

(g) This mortgage note is interest only through January 2007 and then amortizes over a 30-year period.

Scheduled principal repayments to be made during the next five years and thereafter, for mortgage notes payable outstanding at June 30, 2006, are as follows (in thousands):

	Principal Amortization	Due at Maturity	Total
2006	$ 5,229	$ 40,402	$ 45,631
2007	8,406	60,642	69,048
2008	7,370	—	7,370
2009	6,774	100,254	107,028
2010	4,665	62,105	66,770
Thereafter	3,236	228,435	231,671
	$ 35,680	$ 491,838	$ 527,518

At June 30, 2006, our unconsolidated joint ventures had total indebtedness of approximately $838.3 million, which was comprised of $30.5 million of floating rate unsecured debt and approximately $807.8 million of fixed rate mortgage indebtedness with a weighted average interest rate of approximately 5.4% and a weighted average maturity of approximately 9.2 years. Our aggregate pro-rata share of the unconsolidated joint venture debt was approximately $180.8 million.

4. Senior Unsecured Notes

During March 2006, the Operating Partnership issued $275.0 million aggregate principal amount of ten-year 6.00% senior unsecured notes. Interest on the notes will be payable semi-annually on May 15 and November 15, commencing May 15, 2006. Prior to the issuance of these notes, we entered into an anticipatory interest rate hedge instrument to protect ourselves against potentially rising interest rates. At the time the notes were issued, this instrument was settled and we received a net benefit of approximately $490,000. Such benefit has been recorded to OCI and is being amortized as a yield adjustment to the fixed rate notes. The net proceeds from the offering, after the underwriter's discounts and expenses, were approximately $272.5 million and were used for the repayment of amounts outstanding under our term loan. (See Note 5)

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At June 30, 2006, the Operating Partnership had outstanding approximately $1.25 billion (net of unamortized issuance discounts) of senior unsecured notes (the “Senior Unsecured Notes”). The following table sets forth the Operating Partnership’s Senior Unsecured Notes and other related disclosures by scheduled maturity date (dollars in thousands):

Issuance	Face Amount	Coupon Rate	Term (in Years)	Maturity
June 17, 2002	$ 50,000	6.00%	5	June 15, 2007
August 27, 1997	150,000	7.20%	10	August 28, 2007
March 26, 1999	200,000	7.75%	10	March 15, 2009
January 22, 2004	150,000	5.15%	7	January 15, 2011
August 13, 2004	150,000	5.875%	10	August 15, 2014
March 31, 2006	275,000	6.00%	10	March 31, 2016
June 27, 2005	287,500	4.00%	20	June 15, 2025 (a)
	$ 1,262,500			

(a) Exchangable senior debentures which are callable after June 17, 2010 at 100% of par. In addition, the debentures can be put to us, at the option of the holder at par, on June 15, 2010, 2015 and 2020 and upon the occurrence of certain change of control transactions (including the Merger as discussed in Note 13).

Interest on the Senior Unsecured Notes is payable semiannually with principal and unpaid interest due on the scheduled maturity dates. In addition, certain of the Senior Unsecured Notes were issued at discounts aggregating approximately $8.6 million. Such discounts are being amortized to interest expense over the term of the Senior Unsecured Notes to which they relate. Through June 30, 2006, approximately $1.1 million of the aggregate discounts have been amortized.

5. Unsecured Credit Facility and Term Loan

We currently maintain our $500 million Credit Facility with JPMorgan Chase Bank, as administrative agent, Wells Fargo Bank, National Association as syndication agent and Citicorp, North America, Inc. and Wachovia Bank, National Association as co-documentation agents. The Credit Facility matures in August 2008, provides for a one-year extension subject to a fee of 25 basis points and, upon receiving additional lender commitments, for an increase to the maximum revolving credit amount to $750 million. The Credit Facility has a competitive bid feature, which allows us to solicit bids from lenders under the Credit Facility to borrow up to 50% of the maximum revolving credit amount at interest rates less than the current LIBOR plus 80 basis point spread. In addition, the Credit Facility carries a facility fee of 20 basis points per annum. In the event of a change in the Operating Partnership’s senior unsecured credit ratings, the interest rates and facility fee are subject to change. At June 30, 2006, the outstanding borrowings under the Credit Facility aggregated $92.0 million and carried a weighted average interest rate of 5.86% per annum.

We utilize the Credit Facility primarily to finance real estate investments, fund our real estate development activities and for working capital purposes. At June 30, 2006, we had availability under the Credit Facility to borrow approximately an additional $407.9 million, subject to compliance with certain financial covenants. Such amount is net of approximately $100,000 in an outstanding undrawn standby letter of credit, which is issued under the Credit Facility.

In connection with the acquisition of certain properties, contributing partners of such properties have provided guarantees on certain of our indebtedness. As a result, we maintain certain minimum outstanding balances on our Credit Facility.

On January 13, 2006, we obtained a $250.0 million term loan (the “Term Loan”) from Goldman Sachs Mortgage Company. The Term Loan was for an initial period of three months and had terms, including interest rates and financial covenants, substantially similar to our Credit Facility. Proceeds from the Term Loan were used to repay outstanding borrowings under our Credit Facility. On March 31, 2006, in conjunction with net proceeds received from the issuance of Senior Unsecured Notes, we repaid the entire amount outstanding under the Term Loan. As a result, the Term Loan has been retired and is no longer available for borrowings thereunder.

6. Commercial Real Estate Investments

In May 2005, we acquired a 1.4 million square foot, 50-story, Class A office tower located at One Court Square, Long Island City, NY. On November 30, 2005, we sold a 70% joint venture interest in One Court Square to certain institutional funds advised by JPMorgan Investment Management (the "JPM Investor"). The operating agreement of the Court Square JV requires approvals from members on certain decisions including annual budgets, sale of the property, refinancing of the property's mortgage debt and material renovations to the property. In addition, after September 20, 2009 the members each have the right to recommend the sale of the property, subject to the terms of the mortgage debt, and to dissolve the Court Square JV. We have evaluated the impact of FIN 46R on our accounting for the Court Square JV and have concluded that the Court Square JV is not a VIE. We account for the Court Square JV under the equity method of accounting. We have also evaluated and determined that under Issue 04-5 the JPM Investor has substantive participating rights in the ordinary course of the Court Square JV's business. In accordance with the equity method of accounting, our proportionate share of the Court Square JV income was approximately $67,400 and $110,000 for the three and six months ended June 30, 2006, respectively.

On May 26, 2005, we entered into a contract to sell approximately 60 acres of land located in Chatham Township, NJ. The sale was contingent upon due diligence, environmental assessment, final re-zoning and other customary approvals. During July 2006, the contract was terminated.

On August 18, 2005, we entered into (i) an underwriting agreement relating to the public offering in Australia of approximately A$263.0 million (approximately US$202.0 million) of units ("LPT Units") in a newly-formed Reckson-sponsored Australian listed property trust, Reckson New York Property Trust ("Reckson LPT"), a newly-formed listed property trust which is traded on the Australian Stock Exchange and (ii) contribution and sale agreements pursuant to which, among other things, we agreed to transfer 25 of our properties for an aggregate purchase price of approximately $563.0 million and containing an aggregate of 3.4 million square feet, in three separate tranches, to the Australian JV in exchange for a 25% interest in the Australian JV and approximately $502.0 million in cash (inclusive of proceeds from mortgage debt to be assumed by the Australian JV). On September 21, 2005, Reckson LPT completed its public offering and the closing of the first of three tranches ("Tranche I") of this transaction.

In connection with the Tranche I closing, the Australian JV acquired from us 17 of our suburban office properties containing approximately 2.0 million square feet for approximately $367.0 million (including the assumption of approximately $196.1 million in mortgage debt which had been incurred by us in August 2005 – see Note 2). In return, we received a 25% interest in the Australian JV and approximately $128.1 million in cash resulting in an aggregate gain of approximately $103.6 million. As discussed below relating to certain guarantees we have made, approximately $18 million of the aggregate gain has been deferred to future periods pursuant to Statement No. 66 to coincide with the release of the guarantees. As a result, gains on sales of real estate reported in 2005, related to theTranche I closing was approximately $86.1 million. Approximately $22.0 million of the cash received was used to repay certain of our secured mortgage indebtedness on September 30, 2005 and approximately $105.7 million of the cash received was used to establish an escrow account with a qualified intermediary for a future exchange of real property pursuant to Section 1031 of the Code (a "Section 1031 Exchange"). A Section 1031 Exchange allows for the deferral of taxes related to the gain attributable to the sale of property if a qualified replacement property is identified within 45 days and such qualified replacement property is acquired within 180 days from the initial sale. On October 7, 2005 we acquired a qualified replacement property for purposes of this Section 1031 Exchange and thereby deferred a portion of the tax gain from the Tranche I sale.

In connection with the foregoing, on September 21, 2005, Reckson Australia Holdings LLC ("Reckson Holdings"), a wholly-owned subsidiary of the Operating Partnership, and Reckson Australia LPT Corporation ("LPT REIT"), a U.S. real estate investment trust which is wholly-owned by Reckson LPT, entered into the Amended and Restated Limited Liability Company Agreement governing the Australian JV (the "Operating Agreement"). Pursuant to the Operating Agreement, LPT REIT holds a 75% interest in, and acts as the managing member for, the Australian JV, and Reckson Holdings holds a 25% non-managing member interest therein. The Operating Agreement provides that, if at any time additional capital contributions are made to the Australian JV, Reckson Holdings will have a right to make additional capital contributions up to an amount necessary to maintain its 25% interest therein on the same terms and conditions as such other capital contributions.

As the managing member of the Australian JV, LPT REIT has the sole responsibility for managing its business and affairs on a day-to-day basis, other than with respect to certain identified "major decisions," including but not limited to a merger or consolidation involving the Australian JV, a disposition of all or substantially all of its assets, or the liquidation or dissolution of the Australian JV. Such major decisions require the prior written consent of a majority of the non-managing members. As a result of the foregoing, we are accounting for our 25% non-managing member interest in the Australian JV under the equity method of accounting. In accordance with the equity method of accounting, our proportionate share of the Australian JV's income was approximately $1.6 million and $1.9 million for the three and six months ended June 30, 2006, respectively.

On January 6, 2006, Reckson LPT completed the second Tranche of this transaction (“Tranche II”) whereby the Australian JV acquired three of our suburban office properties: 6800 and 6900 Jericho Turnpike, Syosset, NY and 710 Bridgeport Avenue, Shelton, CT, (the “Tranche II Properties”) aggregating approximately 761,000 square feet for approximately $84.6 million, including the assignment of approximately $20.1 million of mortgage debt. As a result, gains on sales of real estate related to Tranche II is approximately $35.4 million. Approximately $25.1 million of sales proceeds was used to establish an escrow account for the purpose of a future Section 1031 Exchange. During May 2006, we terminated the Section 1031 Exchange and received the sales proceeds previously held by the qualified intermediary, including accrued interest. Such proceeds were used to repay outstanding borrowings under our Credit Facility. The balance of the cash proceeds, received at the time of the sale was used to fund our development activities and for general corporate purposes. For federal income tax purposes, we recognized a tax gain of approximately $26.7 million. We do not anticipate that such tax gain will require us to distribute more than our regular quarterly distribution in order to satisfy the distribution requirements necessary for the Company to qualify as a REIT.

The Tranche III closing (“Tranche III”), consisting of five of our suburban office properties valued at approximately $111.8 million, is scheduled to close in October 2006 and will include the assumption by the Australian JV of approximately $51.5 million of existing mortgage debt. It is anticipated that the Australian JV will pre-pay such mortgage debt in connection with the Tranche III closing. The Tranche III closing is subject to customary closing conditions and the “Tranche III Properties” consist of: 520 Broadhollow Road, 50 Marcus Avenue, 1660 Walt Whitman Road, all of which are located in Melville, NY, 580 White Plains Road, Tarrytown, NY and 300 Executive Park Drive, West Orange, NJ.

Our Service Companies provide asset management, property management, leasing, construction and other services to the Australian JV. Affiliates of ours are entitled to transaction fees and ongoing fees for providing services to the Australian JV. During January 2006, in connection with the Tranche II closing we earned and received approximately $819,000 in transaction related fees. Also, during the three and six months ended June 30, 2006 we earned and received approximately $1.5 million and $2.4 million, respectively of ongoing service related fees. Such amounts are included in investment income and other on our consolidated statements of income. In addition, we also formed Reckson Australia Management Limited (“RAML”), a wholly owned subsidiary, that will manage Reckson LPT and serve as its “Responsible Entity”. The Responsible Entity will be managed by a six member board that includes three independent directors domiciled in Australia and three of the Company’s executive officers. To address and mitigate any potential conflicts of interest with Reckson LPT or its affiliates the Company has adopted the following policies: (i) all transactions between the Company and Reckson LPT or its affiliates shall require the approval of a majority of the independent directors of both the Company and Reckson LPT, (ii) executive officers and directors of the Company are prohibited from owning equity in Reckson LPT, and (iii) the adoption of an express policy which mandates that property services and leasing decisions shall be made without regard to the Company’s percentage ownership of any property.

Under the Operating Agreement, Reckson Holdings will have the right, beginning September 21, 2007, to require LPT REIT to redeem all or a portion of Reckson Holdings’ membership interest in the Australian JV for cash or, at LPT REIT’s option, shares of LPT REIT’s common stock (which may be exchanged for LPT Units) on a one-for-one basis. Reckson Holdings also has the right to cause the liquidation of the Australian JV in the event that RAML is replaced as Reckson LPT’s Responsible Entity. In addition, the Operating Agreement contains a right of first refusal granting Reckson Holdings the right to acquire any asset of the Australian JV, at fair market value, in the event of an attempted sale of such asset or the exercise of Reckson Holdings’ right to liquidate the Australian JV.

In connection with the Tranche I closing, on September 21, 2005, the Company, the Australian JV and LPT REIT entered into an Option Agreement (the “Option Agreement”) pursuant to which we granted the Australian JV options to acquire ten additional properties from the Operating Partnership over a two year period, beginning January 1, 2006. The properties contain an aggregate of approximately 1.2 million square feet and will be priced based on the fair market value. The Option Agreement contains a right of first refusal granting the Australian JV the right to acquire any option property from Reckson in the event we receive, and are amenable to, an offer from a third party to purchase such option property. The Option Agreement will terminate under certain circumstances, including if (i) the Australian JV sends notice of its intent to exercise its option but fails to close as obligated, (ii) the Australian JV is in default under the Option Agreement, the contribution agreement or the sale agreement or (iii) RAML or an affiliate of ours is no longer the Responsible Entity of Reckson LPT.

In connection with the mortgage indebtedness securing nine of the Tranche I properties, which were transferred to the Australian JV on September 21, 2005, and three of the Tranche III properties scheduled to be transferred to the Australian JV during October 2006, we have guaranteed to the lender certain customary non-recourse carve-outs, as well as certain obligations relating to the potential termination of a number of leases at four of these properties. We have also guaranteed to the lender certain capital requirements related to these properties. We will be relieved of the customary non-recourse carve-outs and capital requirements upon transfer of the respective properties to the Australian JV and the Australian JV meeting a net worth test of at least $100.0 million. We will be relieved of all but two of the lease related obligations upon transfer of the respective properties to the Australian JV and the Australian JV meeting a net worth test of at least $200.0 million. The Australian JV has agreed to indemnify us for any loss, cost or damage it may incur pursuant to our guaranty of these obligations. The Australian JV has met the $100.0 million net worth threshold and there remain approximately $18 million of aggregate guarantees outstanding.

In accordance with FASB Statement No. 144, the assets and liabilities of the properties transferred and to be transferred, excluding the option properties, to the Australian JV are classified as held for sale on our consolidated balance sheets, for all periods presented.

During September 2005, we entered into a letter of intent with an entity owned by the owner of the New York Islanders professional hockey team to enter into a 50 / 50 joint venture to potentially develop over five million square feet of office, residential, retail and hotel space located on 77 acres in the Mitchel Field, Long Island sub-market in and around Nassau County’s Veterans Memorial Coliseum where we are currently the largest owner of office properties. In March 2006, the joint venture was selected by the County Executive for the development of the 77 acre site. In May 2006, the County Executive and the joint venture entered into a memorandum of understanding for the development of the site. The development remains subject to certain conditions and governmental approvals, including legislative, zoning and other customary approvals. In addition, there can be no assurances that we will enter into the aforementioned joint venture, that all applicable conditions will be satisfied or that all required approvals can be obtained.

On March 7, 2006, we sold our 354,000 square foot office building in Orlando, Florida for aggregate consideration of approximately $70.0 million which resulted in a gain of approximately $9.5 million. Such gain is reflected as a component of discontinued operations on our consolidated statements of income. This non-core real estate holding was acquired in May 1999 in connection with our initial New York City portfolio acquisition. Net proceeds from the sale were used to establish an escrow account with a qualified intermediary for a future Section 1031 Exchange. During May 2006 we terminated the Section 1031 Exchange and received the sales proceeds previously held by the qualified intermediary, including accrued interest. Such proceeds were used to repay outstanding borrowings under our Credit Facility. For federal income tax purposes, we recognized a tax gain of approximately $5.2 million. We do not anticipate that such tax gain will require us to distribute more than our regular quarterly distribution in order to satisfy the distribution requirements necessary for the Company to qualify as a REIT.

On March 31, 2006, we sold a 161,000 square foot office building located in Westchester County for $35.3 million. Sales proceeds received were used for the repayment of the mortgage note encumbering the property located at 1350 Avenue of the Americas in New York, NY. This non-core real estate holding was acquired in December 2005 as part of a 14 office property portfolio acquisition.

On March 31, 2006, a group of institutional investors led by JPMorgan Investment Management, our joint venture partner in the Court Square JV and the property located at 919 Third Avenue, NY, purchased our option to acquire the existing minority partners’ 40% partnership interest in the Omni Property for net proceeds of approximately $9.0 million. Such proceeds have been included in investment income and other on our consolidated statements of income. In connection with this transaction, the original minority partner repaid to us approximately $22.1 million representing amounts due under a note receivable which was secured by their interest in the Omni Property. Such aggregate proceeds to us of approximately $31.2 million were used for the repayment of the mortgage note encumbering the property located at 1350 Avenue of the Americas in New York, NY.

As of June 30, 2006, we owned and operated 93 office properties (inclusive of twenty-six office properties owned through joint ventures) comprising approximately 19.3 million square feet and eight flex properties (inclusive of two flex properties owned through joint ventures) comprising approximately 863,000 square feet located in the New York Tri-State Markets.

We also own certain land parcels throughout our markets in the New York Tri-State Markets (the “Development Parcels”). During July 2005, we commenced the ground-up development on one of the Development Parcels of a 37,000 square foot Class A retail property located within our existing six building Landmark Square office park in Stamford, Connecticut. In August 2005, we recommenced the ground-up development of one of the Development Parcels of a 313,000 square foot Class A office building located within our existing three building office park located in Princeton, NJ. Further, one of the Development Parcels, aggregating approximately 4.1 acres, is classified as held for sale on our balance sheets and is expected to close during September 2006 for aggregate consideration of $2.0 million. Excluding the foregoing, at June 30, 2006 our inventory of Development Parcels aggregated approximately 305 acres of land in 9 separate parcels in which we had invested approximately $124.3 million.

Management has made subjective assessments as to the value and recoverability of our investments in the Development Parcels based on current and proposed development plans, market comparable land values and alternative use values. Based on these assessments, we believe there is no impairment to the carrying value of the Development Parcels.

Discontinued Operations

At June 30, 2006, we had identified five of our operating properties and one parcel of land as held for sale in accordance with Statement No. 144. We have classified the assets and liabilities for these properties and parcel of land at June 30, 2006 and December 31, 2005 on our consolidated balance sheets as held for sale. In addition, where we will not have a continuing interest in their operations, we have classified their results of operations, for all periods presented, as discontinued operations on our consolidated statements of income.

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In addition, during 2006 we sold two of our operating properties. We have classified the assets and liabilities for these properties at December 31, 2005 on our consolidated balance sheet as held for sale. In addition, we have classified their results of operations, for all periods presented, and gains from their sales, as discontinued operations on our consolidated statements of income.

The following table sets forth those assets and liabilities classified on our balances sheets as held for sale (in thousands):

	June 30, 2006		December 31, 2005	
	Assets	Liabilities	Assets	Liabilities
Properties held for sale at June 30, 2006:				
The Australian JV Tranche III Properties	$ 67,646	$ 63,839	$ 66,558	$ 64,015
Land parcel located in Long Island, New York	1,149	—	1,123	—
Properties sold during 2006:				
The Australian JV Tranche II Properties	—	—	35,182	20,311
One operating property located in Westchester County, New York	—	—	31,977	190
One Orlando Centre located in Orlando, Florida	—	—	59,457	56
Totals	$ 68,795	$ 63,839	$ 194,297	$ 84,572

The following table sets forth the income (loss) from discontinued operations and the related net gains on sales of real estate for those properties sold during the respective periods presented (in thousands and net of minority and limited partners interests):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2006	2005	2006	2005
Income (loss) from discontinued operations:				
310 / 333 East Shore Road, Great Neck, New York	$ —	$ 177	$ —	$ 277
48 Harbor Park Drive, Port Washington, New York	—	74	—	139
100 Wall Street, New York, New York	—	1,312	—	2,939
One Orlando Centre located in Orlando, Florida	(30)	324	384	685
One operating property located in Westchester County, New York	(21)	—	458	—
Total income (loss) from discontinued operations	(51)	1,887	842	4,040
Gains on sales of real estate:				
One Orlando Centre located in Orlando, Florida	—	—	9,518	—
Land parcel located in Long Island, New York	—	175	—	175
Total discontinued operations	$ (51)	$ 2,062	$ 10,360	$ 4,215

Note Receivable Investments

At June 30, 2006, we had invested approximately $93.4 million in mezzanine loans and approximately $70.9 million in other loan investments (collectively, the “Note Receivable Investments”). In general these investments are secured by a pledge of either a direct or indirect ownership interest in the underlying real estate or leasehold, a first mortgage, other guaranties, pledges and assurances.

The following table sets forth the terms of the mezzanine loans at June 30, 2006 (in thousands):

Property	Amount	Interest Rate	Funding	Maturity
Long Island office portfolio	$ 8,031	9.00%	Mar., 2005	Apr., 2010(a)
Long Island office portfolio	20,356	9.00%	Mar., 2005	Apr., 2012(a)
72 Madison Avenue, NY, NY (b)	10,000	20.00%	Oct., 2005	Oct., 2007
1166 Avenue of the Americas, NY, NY (c)	25,000	17.50%	Nov., 2005	Nov., 2009
100 Wall Street, NY, NY	30,000	15.00%	Dec., 2005	Dec., 2007
	$ 93,387			

(a) Prepayable without penalty after 18 months from initial funding.

(b) In addition to this mortgage loan, Reckson Construction and Development, LLC (“RCD”) entered into a development agreement with the owner of the property to perform certain predevelopment, development and / or other services with respect to the property. In exchange for its services, RCD will receive a development fee of $2.0 million which is payable in equal monthly installments over a two-year period which commenced during October 2005.

(c) Junior mezzanine loan secured by interests in a 550,000 square foot condominium interest.

In May 2005 we funded $55.3 million under an $85.0 million participating loan investment which is secured by an indirect interest in a 550,000 square foot condominium in a Class A office tower located at 1166 Avenue of the Americas, New York, NY. The loan accrues interest compounded at 9.0% and pays interest at an annual rate of 6.0% through March 2010, 8.5% thereafter through March 2015 and 11.0% thereafter through maturity in 2020. The loan is pre-payable only under certain circumstances and, in any case, not before 2009. Upon a capital event related to the indirect interest in the property which secures the loan, we are entitled to participate in 30% of the net proceeds derived from such capital event.

On March 30, 2006, we advanced approximately $14.2 million under three separate loan agreements which are secured by certain flex properties, aggregating approximately 450,000 square feet, located in Nassau County, Long Island and in part by a personal guarantee of an affiliate of the borrower. These loans have an initial weighted average interest rate of 15.3% and mature on April 1, 2008. In addition, the loans are not prepayable, without penalty, prior to October 1, 2007.

At June 30, 2006, we held one other note receivable, which aggregated $1.0 million and carried an interest rate of 10.50% per annum. This note receivable matures on January 31, 2010 and is secured in part by a minority partner’s preferred unit interest in the Operating Partnership.

The following table sets forth the terms of our other loan investments at June 30, 2006 (in thousands):

Property	Amount	Interest Rate	Funding	Maturity
NYC Class A office condominium interest	$ 55,250	9.00%	May, 2005	Dec., 2020
Flex property located in Nassau County, Long Island	14,188	15.29%	Mar., 2006	Apr., 2008
Other	1,000	10.50%	Oct., 2004	Jan., 2010
Other	500	5.35%	Dec., 2004	Dec., 2009
	$ 70,938			

As of June 30, 2006, management has made subjective assessments as to the underlying security value on the Note Receivable Investments. Based on these assessments, we believe there is no impairment to their carrying value.

On July 27, 2006, we advanced $20.0 million under a loan agreement which is secured by certain pledges of project income and ownership interests and a personal guarantee of an affiliate of the borrower. This loan matures in August 2009, bears interest at 15% per annum (10% annual pay rate and 5% monthly compounded deferred rate). The loan is pre-payable at any time and with yield maintenance through August 1, 2007 if pre-paid prior to August 2007. This investment was funded through a borrowing under our Credit Facility.

7. Partners' Capital

A Class A OP Unit and a share of common stock have similar economic characteristics as they effectively share equally in the net income or loss and distributions of the Operating Partnership. As of June 30, 2006, the Operating Partnership had issued and outstanding 1,546,133 Class A OP Units and 456,621 Class C OP Units. The Class A OP Units and the Company's common stock currently receive a quarterly distribution of $0.4246 per unit/share. The Class C OP Units were issued in August 2003 in connection with the contribution of real property to the Operating Partnership and currently receive a quarterly distribution of $0.4664 per unit. Subject to certain holding periods, OP Units may either be redeemed for cash or, at the election of the Company, exchanged for shares of common stock on a one-for-one basis.

The Operating Partnership issues additional units to the Company, and thereby increases the Company's general partnership interest in the Operating Partnership, with terms similar to the terms of any securities (i.e., common stock or preferred stock) issued by the Company (including any securities issued by the Company upon the exercise of stock options). Any consideration received by the Company in respect of the issuance of its securities is contributed to the Operating Partnership. In addition, the Operating Partnership or a subsidiary funds the compensation of personnel, including any amounts payable under the Company's LTIP.

As of June 30, 2006, the Company had approximately 1.3 million shares of its common stock reserved for issuance under its stock option plans, in certain cases subject to vested terms, at a weighted average exercise price of $24.63 per option. In addition, the Company has approximately 2.7 million shares of its common stock reserved for future issuance under its stock option plans.

During June 2005, the Operating Partnership issued $287.5 million aggregate principal amount of 4.00% exchangeable senior debentures due June 15, 2025. The debentures were issued at 98% of par and are exchangeable for shares of common stock of the Company on or after June 15, 2024 at an initial exchange rate of 24.6124 common shares per $1,000 of principal amount of debentures. The debentures are also exchangeable: (i) if the market price of the Company's common stock over a specified period of time is more than 125% of the exchange price per share then in effect; (ii) if the trading price of the debentures over a specified period of time is less than 98% of the product of the closing price of the Company's shares multiplied by the applicable exchange rate; (iii) during a specified period of time, for any debentures that have been called for redemption; (iv) under certain circumstances, upon the occurrence of a distribution to holders of the Company's shares of (a) rights to purchase the Company's common stock at a price below the market price of the Company's shares or (b) assets, debt securities or rights to purchase the Company's securities or securities of the Operating Partnership that have a per share/unit value exceeding 10% of the market price of the Company's shares; (v) if the Company's common stock is not listed on a national or regional securities exchange or quoted on NASDAQ for 30 consecutive trading days; or (vi) if the Operating Partnership or the Company is party to a consolidation, merger or binding share exchange pursuant to which all of the Company's common stock would be exchanged for cash, securities or other property.

The initial exchange price of $40.63 represents a premium of approximately 25% to the closing price of the Company's common stock on the issuance date of $32.50 per share. If exchanged in accordance with their terms, the debentures will be settled in cash up to their principal amount and any remaining exchange value will be settled, at our option, in cash, the Company's common stock or a combination thereof. In accordance with the exchange rate terms of the debentures the Company has reserved approximately 8.8 million shares of its authorized common stock, $.01 par value, for potential future issuance upon the exchange of the debentures. Such amount is based on an exchange rate of 30.7692 common shares per $1,000 of principal amount of debentures. Although we have reserved these shares pursuant to the exchange rate terms, we believe the issuance of the Company's shares, if any, would be significantly less than 8.8 million shares. The debentures are guaranteed by the Company. We have the option to redeem the debentures beginning June 18, 2010 for the principal amount plus accrued and unpaid interest. Holders of the debentures have the right to require us to repurchase their debentures at 100% of the principal amount thereof plus accrued and unpaid interest on June 15, 2010, June 15, 2015 and June 15, 2020 or, in the event of certain change in control transactions (including the Merger as discussed in Note 13), prior to June 15, 2010.

The limited partners' minority interest in the Operating Partnership ("Limited Partner Equity"), which is reflected on the accompanying balance sheets, is reported at an amount equal to the limited partners' ownership percentage of the net equity of the Operating Partnership at the end of the reporting period. The Limited Partner Equity is adjusted at the end of the period to reflect the ownership percentages at that time. The Limited Partner Equity was approximately 3.4% and 3.2% at June 30, 2006 and 2005, respectively.

During the three month period ended June 30, 2006, certain limited partners in the Operating Partnership exchanged 12,224 OP Units for an equal number of shares of the Company's common stock.

The Board of Directors of the Company initially authorized the purchase of up to 5.0 million shares of the Company's common stock. Transactions conducted on the New York Stock Exchange have been, and will continue to be, effectuated in accordance with the safe harbor provisions of the Securities Exchange Act of 1934 and may be terminated by the Company at any time. Since the Board's initial authorization, the Company has purchased 3,318,600 shares of its common stock for an aggregate purchase price of approximately $71.3 million. In June 2006, the Board of Directors authorized the re-institution of the Company's common stock repurchase program, which had been inactive since March 2003. Subject to the restrictive covenants contained in the Merger Agreement (see Note 13), the Company may repurchase up to an aggregate of 5.0 million shares of its common stock under the re-instituted plan.

The Operating Partnership has issued and outstanding 1,200 preferred units of limited partnership interest with a liquidation preference value of $1,000 per unit and a stated distribution rate of 7.0%, which is subject to reduction based upon terms of their initial issuance (the "Preferred Units"). The terms of the Preferred Units provide for this reduction in distribution rate in order to address the effect of certain mortgages with above market interest rates which were assumed by the Operating Partnership in connection with properties contributed to the Operating Partnership in 1998. As a result of the aforementioned reduction, there are currently no distributions being made on the Preferred Units.

Net income per common partnership unit is determined by allocating net income after preferred distributions and minority partners' interest in consolidated partnerships income to the general and limited partners based on their weighted average distribution per common partnership units outstanding during the respective periods presented.

Holders of preferred units of limited and general partnership interest are entitled to distributions based on the stated rates of return (subject to adjustment) for those units.

In July 2002, as a result of certain provisions of the Sarbanes-Oxley Act of 2002, we discontinued the use of stock loans in our Long Term Incentive Programs ("LTIP"). In connection with LTIP grants made prior to the enactment of the Sarbanes-Oxley Act of 2002, we currently have stock loans outstanding to certain executive officers which were used to purchase 385,000 shares of the Company's common stock. The stock loans were priced at the market prices of the Company's common stock at the time of issuance, bear interest at the mid-term Applicable Federal Rate and are secured by the shares purchased. Such stock loans (including accrued interest) are scheduled to vest and be ratably forgiven each year on the anniversary of the grant date based upon initial vesting periods ranging from seven to ten years. Such forgiveness is based on continued service and in part on the Company attaining certain annual performance measures. These stock loans had an initial aggregate weighted average vesting period of approximately nine years. As of June 30, 2006, there remains 139,000 shares of common stock subject to the original stock loans which are anticipated to vest between 2007 and 2011. Approximately $627,000 and $1.4 million and $573,000 and $1.1 million of compensation expense (inclusive of cash payments in respect of taxes payable by the borrower resulting from such forgiveness) was recorded for the three and six month periods ended June 30, 2006 and 2005, respectively, related to these loans. Such amounts have been included in marketing, general and administrative expenses on the accompanying consolidated statements of income.

The outstanding stock loan balances due from executive officers aggregated approximately $2.9 million and $3.8 million at June 30, 2006 and December 31, 2005, respectively, and have been included as a reduction of additional paid in capital on the accompanying consolidated balance sheets. Other outstanding loans to executive and senior officers at June 30, 2006 and December 31, 2005 amounted to approximately $1.6 million and $2.5 million, respectively, and are included in investments in affiliate loans and joint ventures on the accompanying consolidated balance sheets and are primarily related to tax payment advances on stock compensation awards and life insurance contracts made to certain executive and non-executive officers.

In November 2002 and March 2003, an award of rights was granted to certain executive officers of the Company (the "2002 Rights" and "2003 Rights", respectively, and collectively, the "Rights"). Each Right represents the right to receive, upon vesting, one share of the Company's common stock if shares are then available for grant under one of the Company's stock option plans or, if shares are not so available, an amount of cash equivalent to the value of such stock on the vesting date. The 2002 Rights vest in four equal annual installments beginning on November 14, 2003 (and shall be fully vested on November 14, 2006). The 2003 Rights were earned on March 13, 2005 and vest in three equal annual installments beginning on March 13, 2005 (and shall be fully vested on March 13, 2007). Dividends on the shares will be held by the Company until such shares become vested, and will be distributed thereafter to the applicable officer. The 2002 Rights also entitle the holder thereof to cash payments in respect of taxes payable by the holder resulting from the 2002 Rights. The 2002 Rights aggregate 62,835 shares of the Company's common stock and the 2003 Rights aggregate 26,040 shares of common stock. As of June 30, 2006, there remains 15,709 shares of common stock reserved related to the 2002 Rights and 8,682 shares of common stock reserved related to the 2003 Rights. Approximately $120,000 and $240,000 and $120,000 and $224,000 of compensation expense was recorded for the three and six month periods ended June 30, 2006 and 2005, respectively, related to the Rights. Such amounts have been included in marketing, general and administrative expenses on the accompanying consolidated statements of income.

In March 2003, the Company established a new LTIP for its executive and senior officers (the “2003 LTIP”). The four-year plan has a core award, which provides for annual stock based compensation based upon continued service and in part based on the Company attaining certain annual performance measures. The plan also has a special outperformance component in the form of a bonus pool equal to 10% of the total return in excess of a 9% cumulative and compounded annual total return on the Company’s common equity for the period through the four-year anniversary after the date of grant (the “Special Outperformance Pool”). The aggregate amount payable to such officers from the Special Outperformance Pool is capped at an amount calculated based upon a total cumulative and compounded annual return on the common equity of 15%. An officer’s special outperformance award represents an allocation of the Special Outperformance Pool and will become vested on the fourth anniversary of the date of grant, provided that the officer remains in continuous employment with the Company or any of its affiliates until such date, and the Company has achieved on a cumulative and compounded basis, during the four fiscal years completed on the applicable anniversary date, a total return to holders of the common equity that (i) is at or above the 60^{th} percentile of the total return to stockholders achieved by members of the peer group during the same period and (ii) equals at least 9% per annum. Special outperformance awards will be paid in cash; however, the Compensation Committee, in its sole discretion, may elect to pay such an award in shares of common stock, valued at the date of vesting, if shares are available at such time under any of the Company’s existing stock option plans. The LTIP provides that no dividends or dividend equivalent payments will accrue with respect to the special outperformance awards. On March 13, 2003, the Company made available 827,776 shares of its common stock under its existing stock option plans in connection with the core award of the 2003 LTIP for certain of its executive and senior officers. During May 2003, the special outperformance awards of the 2003 LTIP were amended to increase the per share base price above which the four year cumulative return is measured from $18.00 to $22.40.

The Board of Directors approved an amendment to the 2003 LTIP to revise the peer group used to measure relative performance. The amendment eliminated the mixed office and industrial companies and added certain other “pure office” companies in order to revise the peer group to office sector companies. The Board has also approved the revision of the performance measurement dates for future vesting under the core component of the 2003 LTIP from the anniversary of the date of grant to December 31 of each year. This was done in order to have the performance measurement coincide with the performance period that the Company believes many investors use to judge the performance of the Company.

On December 27, 2004, the Operating Partnership entered into definitive agreements with certain executive and senior officers of the Company to revise their incentive awards under the 2003 LTIP. The revised agreements provide for (i) the rescission of the unvested portion of their core awards and (ii) an award in exchange for the rescinded core awards of an equal number of units of a new class of limited partnership interests (“LTIP Units”) of the Operating Partnership.

Each executive and senior officer participating in the 2003 LTIP was offered the option to retain all or a portion of his core awards or to rescind them in exchange for new awards of LTIP Units. On December 27, 2004, certain executive and senior officers accepted such offer and thereby amended their Amended and Restated Long-Term Incentive Award Agreement to cancel, in the aggregate, 362,500 shares of restricted stock of the Company representing all or a portion of their unvested core award, and received an equal number of LTIP Units.

The revised awards under the 2003 LTIP were designed to provide the potential for executives to retain a greater equity interest in the Company by eliminating the need for executives to sell a portion of the core awards immediately upon vesting in order to satisfy personal income taxes which are due upon vesting under the original core awards.

With respect to the 2003 LTIP, the Company met its annual performance measure with respect to the 2005, 2004 and 2003 annual measurement periods, respectively. As a result, the Company issued to the participants of the 2003 LTIP 86,111, 102,779 and 206,944 shares of its common stock, respectively, related to the core component of the 2003 LTIP.

The terms of each award of LTIP Units are substantially similar to those of the core awards under the 2003 LTIP. The vesting, performance hurdles and timing for vesting remain unchanged. However, an LTIP Unit represents an equity interest in the Operating Partnership, rather than the Company. At issuance, the LTIP Unit has no value but may over time accrete to a value equal to (but never greater than) the value of one share of common stock of the Company (a "REIT Share"). Initially, LTIP Units will not have full parity with OP Units with respect to liquidating distributions. Upon the occurrence of certain "triggering events" (such as the issuance of additional OP Units by the Operating Partnership), the Operating Partnership will revalue its assets for the purpose of the capital accounts of its partners and any increase in valuation of the Operating Partnership's assets from the date of the issuance of the LTIP Units through the "triggering event" will be allocated to the capital accounts of holders of LTIP Units until their capital accounts are equivalent to the capital accounts of holders of OP Units. If such equivalence is reached, LTIP Units would achieve full parity with OP Units for all purposes, and therefore accrete to an economic value equivalent to REIT Shares on a one-for-one basis. In addition, if such parity is reached, vested LTIP Units may only be converted into an equal number of OP Units after two years from the date of grant. However, in the absence of an increase in the value of the assets of the Operating Partnership and the occurrence of "triggering events", such economic equivalence would not be reached. Until and unless such economic equivalence is reached, the value that the officers will realize for vested LTIP Units will be less than the value of an equal number of REIT Shares. In addition, LTIP Units are subject to specific performance related vesting requirements. In addition, unlike core awards under the 2003 LTIP (wherein dividends that accumulate are paid upon vesting), LTIP Units will receive the same quarterly distributions as OP Units on a current basis, thus providing full dividend equivalence with REIT Shares. Each LTIP Unit awarded is deemed equivalent to an award of one share of common stock reserved under one of the Company's stock option plans, reducing availability for other equity awards on a one-for-one basis. At the scheduled March 2005 vesting date, the specified performance hurdles were met, and officers that received LTIP Units received a one-time cash payment that represented payment of the full vested amount of the accrued unpaid dividends under the core award of the 2003 LTIP through December 27, 2004, the issuance date of the LTIP Units. In addition, the officers, in the aggregate, vested in 104,167 LTIP Units. At the scheduled March 2006 vesting date, the specified performance hurdles were met and officers that received LTIP Units, in the aggregate, vested in 120,833 LTIP Units. On April 4, 2006 (the "Measurement Date"), as a result of the Company issuing 207,000 LTIP Units (discussed below) a "triggering event" occurred and the Company completed an analysis to determine the increase in the valuation, if any of the Operating Partnership's assets from the issuance of 362,500 LTIP Units on December 27, 2004 through the Measurement Date and with respect to the issuance of 272,100 LTIP Units issued on March 11, 2005 through the Measurement Date. The results of the analysis indicated that a sufficient increase in value to the Operating Partnership's assets was achieved. As a result the aforementioned LTIP Units achieved full parity with an OP Unit. In order to more closely replicate the terms of the core awards being rescinded, the Company also entered into agreements with three executive officers, which provide that in the event of a change of control the executive shall receive the equivalent value of one REIT Share for each LTIP Unit.

For each of the calendar years ended December 31, 2004 and 2005, following the recommendations of the Compensation Committee, eight senior and executive officers of the Company were awarded, in the aggregate, 272,100 LTIP Units and 207,000 LTIP Units, respectively, for outperformance and to continue to incentivize them for the long-term (the "Restricted Equity Awards"). Initially, the terms of the Restricted Equity Awards were generally consistent with the terms of the 2003 LTIP, including with respect to the impact upon vesting in the event of a change of control. On June 12, 2006, with respect to the 2005 Restricted Equity Awards, the vesting periods were extended so that they will vest over a four-year period in lieu of a two-year period, provided that the officer remains in continuous employment with the Company until such dates and the Company has achieved certain specified performance requirements during the year ending December 31, 2006. If the performance requirements are not met in 2006, the awards will become vested on any subsequent annual vesting date on which the performance requirements are met on a cumulative and compounded basis. In addition, with respect to the 2004 Restricted Equity Award to Scott Rechler, the Company's Chief Executive Officer, was similarly extended provided that Mr. Rechler remains in continuous employment with the Company.

As a result of the foregoing, there remains 69,443 shares of common stock reserved for future issuance under the core award of the 2003 LTIP and 616,600 shares of common stock reserved for issuance with respect to the issuance of LTIP Units. With respect to the core award of the 2003 LTIP, the Company recorded approximately $305,000 and $610,000 of compensation expense for each of the three and six month periods ended June 30, 2006 and 2005, respectively. In addition, with respect to the LTIP Units and the Restricted Equity Awards, the Company recorded compensation expense of approximately $941,000 and $1.8 million and $822,000 and $1.3 million, respectively, for the three and six month periods ended June 30, 2006 and 2005. Such amounts have been included in marketing, general and administrative expenses on the accompanying consolidated statements of income. Based on the terms of the 2003 LTIP, potential outcomes of the Special Outperformance Pool are estimated to range from $0, assuming the requisite four year cumulative performance measures are not met, to a maximum of approximately $35.7 million, assuming relative peer group performance measures are met and a cap of 15% cumulative and compounded return on common equity. As of June 30, 2006, we have accrued approximately $29.4 million of compensation expense with respect to the Special Outperformance Pool of which $2.2 million and $5.9 million was accrued during the three and six months ended June 30, 2006. This amount is calculated on the closing stock price of the Company's common stock on June 30, 2006 and is based on management's determination of the probability of requisite performance measures being met. The accrual represents approximately 82% of the total estimated Special Outperformance Pool reflecting the service period through June 30, 2006.

Compensation expense with respect to the core component of the 2003 LTIP, which relates to the Company attaining certain annual performance measures, is recognized as a "target stock price" plan. Under this type of plan, compensation expense is recognized for the target stock price awards whether or not the targeted stock price condition is achieved as long as the underlying service conditions are achieved. Accordingly, we obtained an independent third party valuation of the 2003 LTIP awards and recognize compensation expense on a straight-line basis through the performance and vesting period for awards to employees who remain in service over the requisite period regardless of whether the target stock price has been reached.

Compensation expense with respect to the core component of the 2003 LTIP, which relates to the continued service of the grantee, is recognized as compensation expense on a straight-line basis through the vesting period based on the fair market value of the stock on the date of grant.

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As a result of the election of certain executive and senior officers to exchange all or a portion of their unvested core awards under the 2003 LTIP into an equal number of LTIP Units we again obtained an independent third party valuation of the newly granted LTIP Units and determined that the fair value of the LTIP Units was not greater than the exchanged 2003 LTIP awards on the date of the exchange. As such, compensation expense to be recognized, on a straight-lined basis, over the vesting period of the LTIP Units equals the amount of unamortized compensation expense cost for the 2003 LTIP awards as of the exchange date.

On January 1, 2006, we adopted Statement No. 123R and have determined that the adoption of Statement No. 123R did not have a material impact on our consolidated financial statements.

8. Supplemental Disclosures of Cash Flows Information (in thousands)

	Six Months Ended June 30,	
	2006	2005
Cash paid during the period for interest	$ 59,908	$ 51,561
Interest capitalized during the period	$ 6,283	$ 4,611

9. Segment Disclosure

We own all of the interests in our real estate properties directly or indirectly through the Operating Partnership. Our portfolio consists of Class A office properties located within the New York City metropolitan area and Class A suburban office and flex properties located and operated within the New York Tri-State Markets (the “Core Portfolio”). We have formed an Operating Committee that reports directly to our Chief Executive Officer and Chief Financial Officer who have been identified as the Chief Operating Decision Makers due to their final authority over resource allocation, decisions and performance assessment.

We do not consider (i) interest incurred on our Credit Facility, Term Loan and Senior Unsecured Notes, (ii) the operating performance of those properties reflected as discontinued operations on our consolidated statements of income and (iii) the operating results of the Service Companies as part of our Core Portfolio’s property operating performance for purposes of our component disclosure set forth below.

The accounting policies of the reportable segments are the same as those described in the summary of significant accounting policies. In addition, historical amounts have been adjusted to give effect to our discontinued operations in accordance with FASB Statement No. 144.

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The following table sets forth the components of our revenues and expenses and other related disclosures (in thousands):

	Three months ended					
	June 30, 2006			June 30, 2005		
	Core Portfolio	Other	**Consolidated Totals**	Core Portfolio	Other	**Consolidated Totals**
PROPERTY OPERATING REVENUES:						
Base rents, tenant escalations and reimbursements	$ 147,810	$ —	**$ 147,810**	$ 135,372	$ —	**$ 135,372**
EXPENSES:						
Property operating expenses	56,974	—	**56,974**	51,216	—	**51,216**
Marketing, general and administrative	4,667	4,808	**9,475**	4,180	4,061	**8,241**
Depreciation and amortization	35,457	590	**36,047**	30,860	359	**31,219**
Total operating expenses	97,098	5,398	**102,496**	86,256	4,420	**90,676**
Operating income (loss)	50,712	(5,398)	**45,314**	49,116	(4,420)	**44,696**
NON-OPERATING INCOME AND EXPENSES						
Interest income, investment income and other	1,096	6,735	**7,831**	569	3,218	**3,787**
Interest:						
Expense incurred	(6,226)	(20,990)	**(27,216)**	(14,167)	(13,092)	**(27,259)**
Amortization of deferred financing costs	(320)	(697)	**(1,017)**	(327)	(741)	**(1,068)**
Long-term incentive compensation expense	—	(2,232)	**(2,232)**	—	—	**—**
Total non-operating income and expenses	(5,450)	(17,184)	**(22,634)**	(13,925)	(10,615)	**(24,540)**
Income (loss) before minority interests, equity in earnings of real estate joint ventures and discontinued operations	$ 45,262	$ (22,582)	**$ 22,680**	$ 35,191	$ (15,035)	**$ 20,156**

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	Six Months Ended					
	June 30, 2006			June 30, 2005		
	Core Portfolio	Other	**Consolidated Totals**	Core Portfolio	Other	**Consolidated Totals**
PROPERTY OPERATING REVENUES:						
Base rents, tenant escalations and reimbursements	$ 282,963	$ —	**$ 282,963**	$ 265,560	$ —	**$ 265,560**
EXPENSES:						
Property operating expenses	117,209	—	**117,209**	103,956	—	**103,956**
Marketing, general and administrative	9,671	9,286	**18,957**	8,343	7,893	**16,236**
Depreciation and amortization	68,151	732	**68,883**	58,916	722	**59,638**
Total Operating Expenses	195,031	10,018	**205,049**	171,215	8,615	**179,830**
Operating Income (Loss)	87,932	(10,018)	**77,914**	94,345	(8,615)	**85,730**
NON-OPERATING INCOME AND EXPENSES						
Gains on sales of real estate	35,393	—	**35,393**	—	—	**—**
Interest and investment income and other	2,069	23,338	**25,407**	1,033	5,881	**6,914**
Interest:						
Expense incurred	(13,883)	(41,322)	**(55,205)**	(25,267)	(25,558)	**(50,825)**
Amortization of deferred financing costs	(772)	(1,367)	**(2,139)**	(588)	(1,471)	**(2,059)**
Long-term incentive compensation expense	—	(5,855)	**(5,855)**	—	—	**—**
Total Non-Operating Income and Expenses	22,807	(25,206)	**(2,399)**	(24,822)	(21,148)	**(45,970)**
Income (loss) before minority interests, equity in earnings of real estate joint ventures and discontinued operations	$ 110,739	$ (35,224)	**$ 75,515**	$ 69,523	$ (29,763)	**$ 39,760**
Total Assets	$ 3,332,263	$ 387,431	**$ 3,719,694**	$ 2,653,463	$ 1,165,925	**$ 3,819,388**

10. NON-CASH INVESTING AND FINANCING ACTIVITIES

During the three months ended June 30, 2006, certain limited partners in the Operating Partnership exchanged 12,224 OP Units for an equal number of shares of the Company’s common stock for total non cash consideration of approximately $493,000.

On March 31, 2006, a group of institutional investors purchased our option to acquire the existing minority partner’s 40% partnership interest in the Omni Property for net proceeds of approximately $9.0 million. Simultaneously, these institutional investors exercised the option and acquired the minority partner’s interest from the minority partner for approximately $50.8 million including the assumption of an allocation of approximately $20.1 million of mortgage debt on the Omni Property for a total investment of $59.9 million. As a result of the foregoing and in accordance with Statement No.’s 141 and 142, we recorded approximately $44.4 million of fair value adjustments to the real estate and other intangible assets acquired by the institutional investors.

11. RELATED PARTY TRANSACTIONS

In connection with the Company’s IPO, we were granted an option to acquire the property located at 225 Broadhollow Road which is owned by certain Rechler family members including Scott H. Rechler, our CEO at a price based upon an agreed upon formula. Reckson Management Group, Inc. (“RMG”) currently leases approximately 26,000 square feet of office space at this property for its corporate offices at an annual base rent of approximately $809,000. During 2005, RMG exercised a termination option to terminate this lease on November 30, 2006 without penalty and in August 2006 will relocate its corporate headquarters to Reckson Plaza, a wholly owned property located in Uniondale, Long Island. During June 2006, we incurred approximately $211,000 of expense related to the repair of certain HVAC equipment at the 225 Broadhollow Road property. Such expenditure was approved by the independent members of the Company’s Board of Directors. RMG also leases 10,722 square feet of warehouse space used for equipment, materials and inventory storage at a property owned by certain members of the Rechler family at an annual base rent of approximately $81,000. In addition, commencing April 1, 2004, RCD has been leasing approximately 17,000 square feet of space at 225 Broadhollow Road, Melville, NY at an annual base rent of approximately $507,000, which is scheduled to terminate on September 30, 2006. RCD has sub-let the entire 17,000 square feet to a third party for approximately $35,000 per month through RCD’s September 2006 lease termination date. RCD will also relocate to Reckson Plaza.

During the three and six month periods ended June 30, 2006 and 2005, RCD billed approximately $29,000 and $30,000 and $17,000 and $26,000, respectively, of market rate services and RMG billed approximately $80,000 and $153,000 and $71,000 and $142,000, respectively, of market rate management fees to certain properties owned by members of the Rechler family including Scott H. Rechler, our CEO.

On March 28, 2005, an entity ("REP") owned by members of the Rechler family (excluding Scott H. Rechler, but including his father, Roger, and brother, Gregg) exercised a Right of First Refusal (which was granted in connection with the 2003 sale of the industrial portfolio by us) to acquire a vacant parcel of land for a purchase price of $2.0 million. We have agreed to provide REP with the option to defer the closing on the purchase until September 2006, for a non-refundable deposit of $400,000 and a fee of $10,666 per month for each month that the closing is deferred. In connection therewith, REP agreed to settle a dispute concerning an easement on a separate parcel of land owned by us adjacent to one of the properties transferred to REP in November 2003.

A company affiliated with an independent director of the Company leases 15,566 square feet in a property owned by us at an annual base rent of approximately $430,000. Such lease expired on October 31, 2005. We are currently in the process of renewing the lease for approximately 8,000 square feet upon market terms through 2011. Such renewal is subject to approval by the other independent directors of the Company's Board of Directors. In addition, since the lease's expiration, the lessee has been operating consistent with terms of the expired lease.

The Operating Partnership has a net investment of approximately $55.2 million in loans and REIT-qualified joint ventures with FrontLine Capital Group ("FrontLine") and Reckson Strategic Venture Partners, LLC ("RSVP"), a real estate venture capital fund whose common equity is held indirectly by FrontLine (collectively, the "RSVP / FLCG Investments"). Frontline was formed by the Company in 1997. The net carrying value of the RSVP / FLCG Investments was reassessed with no change by management at June 30, 2006 and is included in investments in affiliate loans and joint ventures on our consolidated balance sheets.

FrontLine is in default under the loans from the Operating Partnership and on June 12, 2002, filed a voluntary petition for relief under Chapter 11 of the United States Bankruptcy Code.

The RSVP REIT-qualified joint ventures are managed subject to a management agreement with the former managing directors of RSVP, which expires in September 2006. The management agreement provides for an annual base management fee and disposition fees equal to 2% of the net proceeds received by RSVP on asset sales which are subject to a maximum of $7.5 million. In addition, the former managing directors of RSVP retained a one-third residual interest in RSVP's assets which is subordinated to the distribution of an aggregate amount of $75.0 million to RSVP and/or us in respect of RSVP-controlled joint ventures.

Scott H. Rechler, our CEO and Chairman of the Board of Directors, serves as CEO and is FrontLine's sole board member. Mr. Rechler also serves as a member of the management committee of RSVP.

In November 2004, a joint venture in which RSVP owns approximately 47% executed a binding agreement to contribute its Catskills, NY resort properties (excluding residentially zoned land) to Empire Resorts Inc. (NASDAQ: NYNY) ("Empire") for consideration of 18.0 million shares of Empire's common stock and the right to appoint five members of their Board of Directors. On December 29, 2005, the agreement was terminated and the joint venture received options to purchase approximately 5.2 million shares of common stock of Empire at a price of $7.50 per share. The options will be exercisable until December 29, 2006. On June 30, 2006, the closing price of a share of Empire's common stock was $6.95 per share.

We have discontinued the accrual of interest income with respect to the loans from the Operating Partnership and our share of GAAP equity in earnings, if any, from the RSVP-controlled REIT-qualified joint ventures until such income is realized through cash distributions.

12. Commitments And Contingencies

We had undrawn letters of credit outstanding against our Credit Facility of approximately $100,000 at June 30, 2006.

In connection with the mortgage indebtedness securing nine of the Tranche I properties, which were transferred to the Australian JV on September 21, 2005, and three of the Tranche III properties scheduled to be transferred to the Australian JV during October 2006, we have guaranteed to the lender certain customary non-recourse carve-outs, as well as certain obligations relating to the potential termination of a number of leases at four of these properties. We have also guaranteed to the lender certain capital requirements related to these properties. We will be relieved of the customary non-recourse carve-outs and capital requirements upon transfer of the respective properties to the Australian JV and the Australian JV meeting a net worth test of at least $100.0 million. We will be relieved of all but two of the lease related obligations upon transfer of the respective properties to the Australian JV and the Australian JV meeting a net worth test of at least $200.0 million. The Australian JV has agreed to indemnify us for any loss, cost or damage it may incur pursuant to our guaranty of these obligations. As of June 30, 2006, the Australian JV met the $100.0 million net worth threshold and there remain approximately $18 million of aggregate guarantees outstanding.

13. Subsequent Events

On August 3, 2006, the Company, the Operating Partnership, SL Green Realty Corp. (“Parent”), Wyoming Acquisition Corp. (“Purchaser”), Wyoming Acquisition GP LLC and Wyoming Acquisition Partnership LP entered into an Agreement and Plan of Merger (the “Merger Agreement”). Under the terms of the Merger Agreement, the Company will merge with and into Purchaser (the “Merger”), with Purchaser continuing after the Merger as the surviving entity. At the effective time of the Merger, each of the issued and outstanding shares of common stock of the Company will be converted into the right to receive (i) $31.68 in cash, and (ii) 0.10387 of a share of the common stock, par value $0.01 per share, of Parent (the “Merger Consideration”).

In addition, under the terms of the Merger Agreement, Wyoming Acquisition LP will merge with and into the Operating Partnership (the “Partnership Merger”), with the Operating Partnership continuing after the Partnership Merger as the surviving entity. At the effective time of the Partnership Merger, each common unit in the Operating Partnership will be converted into the right to receive the applicable amount of Merger Consideration, in respect of the number of shares of Reckson common stock issuable upon exchange of each such common unit in accordance with the Amended and Restated Agreement of Limited Partnership of the Operating Partnership as if such common units were converted or exchanged for an equal number of Reckson common shares immediately prior to the effective time of the Merger.

At the effective time of the Merger, any options which have not been exercised will be cancelled and holders will be paid the Merger Consideration in respect of such options; the exercise price of the options will first be deducted from the cash consideration and then second from the stock consideration, if necessary. All outstanding options are currently vested. Restricted stock, whether or not vested, will be converted into the right to receive the Merger Consideration as if such restricted stock had vested immediately prior to the effective time of the Merger. Restricted stock units, whether or not vested, and LTIP Units, whether or not vested, (other than certain LTIP Units held by Messrs. Rechler, Maturo and Barnett, the vesting and payment rights to which they are waiving pursuant to the Amendments described below) will be converted into the right to receive the Merger Consideration (on a one-for-one basis).

The Company has agreed to certain covenants, including, among others, subject to certain exceptions described in the Merger Agreement, an obligation not to initiate, solicit, encourage or facilitate (including by way of furnishing nonpublic information or assistance) any inquiries or the making of any proposal or other action that constitutes or may reasonably be expected to lead to any competing transaction (as defined in the Merger Agreement) or enter into discussions or negotiate with any person in furtherance of such inquiries or to obtain a competing transaction. Prior to the closing, the Company has agreed to operate its business in the ordinary course consistent with past practice and not to take certain actions specified in the Merger Agreement. The Company will be permitted to pay its regular quarterly dividends through the consummation of the Merger.

Consummation of the Merger is subject to customary conditions, including the approval of the Merger by the holders of the Company’s common stock, the registration of SL Green’s shares of common stock to be issued in the Merger, the listing of such shares on the New York Stock Exchange and the absence of any order, injunction or legal restraint or prohibition preventing the consummation of the Merger. In addition, each party’s obligation to consummate the Merger is subject to certain other conditions, including (i) the accuracy of the representations and warranties of the other party (subject to the materiality standards contained in the Merger Agreement), (ii) compliance in all material respects of the other party with its covenants, (iii) the absence of a material adverse effect (as defined in the Merger Agreement) on the other party and (iv) the delivery of opinions with respect to each other’s status as a real estate investment trust.

The Merger Agreement contains certain termination rights for both the Company and SL Green and provides that, upon termination of the Merger Agreement under specified circumstances described in the Merger Agreement, the Company would be required to pay SL Green a termination fee of $99.8 million, and/or that the Company would be required to reimburse SL Green for its out-of-pocket costs and expenses up to $13.0 million.

The Merger Agreement contains representations and warranties that the parties have made to each other as of specific dates. The assertions embodied in those representations and warranties were made solely for purposes of the contract between the parties, and may be subject to important qualifications and limitations agreed to by the parties in connection with negotiating its terms. Moreover, the representations and warranties are subject to a contractual standard of materiality that may be different from what may be viewed as material to shareholders, and the representations and warranties may have been intended not as statements of fact, but rather as a way of allocating risk among the parties.

In connection with the Merger, Scott Rechler, Michael Maturo, and Jason Barnett each entered into an Agreement to Amend their existing Employment and Noncompetition Agreement and Severance Agreement (the "Amendments"). Pursuant to the Amendments, each executive agreed to: (1) reduce the period of time he will be entitled to receive severance following a termination of employment in connection with a change in control from five years to three years, and to cap the cash severance he is entitled to receive under his existing severance agreement, (2) waive all rights to vesting and payment of certain outstanding long-term incentive awards, (3) further reduce the payments and benefits he is otherwise entitled to receive in connection with a change in control if the total amount of payments and benefits exceed his "safe harbor amount" under the Internal Revenue Code's so-called "golden parachute rules" by 5% or less so that the total change in control-related payments and benefits paid or provided to him will not exceed his safe harbor amount, and (4) not compete with the Company in the acquisition, operation or management of any office real estate property in any of the submarkets in the borough of Manhattan, New York for the period commencing on August 3, 2006 through the earlier of August 3, 2007 or the six-month anniversary of the closing. The parties also agreed to extend the terms of their existing Employment and Noncompetition Agreements and Severance Agreements through April 30, 2007. In addition, the Company agreed to assign certain existing split-dollar life insurance policies to the executives at their request in connection with a change in control of the Company.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion should be read in conjunction with the historical financial statements of Reckson Operating Partnership, L.P. (the "Operating Partnership") and related notes thereto.

The Operating Partnership 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 Operating Partnership'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 Operating Partnership's operations, the ability to lease vacant space and the ability to renew or relet space under expiring leases, the Operating Partnership's announced transaction with SL Green Realty Corp., involve risks and uncertainties. Many of the forward-looking statements can be identified by the use of words such as "believes", "may", "expects", "anticipates", "intends" or similar expressions. Although the Operating Partnership 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 Operating Partnership 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 in and around New York City and the surrounding tri-state markets (the "New York Tri-State Markets"); changes in interest rate levels; changes in the Operating Partnership's credit ratings; changes in the Operating Partnership's cost and access to capital; downturns in rental rate levels in our markets and our ability to lease or re-lease space in a timely manner at current or anticipated rental rate levels; the availability of financing to us or our tenants; the financial condition of our tenants; changes in operating costs, including utility, security, real estate tax and insurance costs; repayment of debt owed to the Operating Partnership by third parties; risks associated with joint ventures; liability for uninsured losses or environmental matters; approval of the Company's announced transaction with SL Green Realty Corp. by shareholders of the Company, 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 Operating Partnership'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 Operating Partnership include accounts of the Operating Partnership and all majority-owned and controlled subsidiaries. The preparation of financial statements in conformity with U.S. generally accepted accounting principles ("GAAP") requires management to make estimates and assumptions in certain circumstances that affect amounts reported in the Operating Partnership'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 Operating Partnership's results of operations to those of companies in similar businesses.

Revenue Recognition and Accounts Receivable

Minimum 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 our balance sheets. Contractually due but unpaid rents are included in tenant receivables on our balance sheets. Certain lease agreements also provide for reimbursement of real estate taxes, insurance, common area maintenance costs and indexed rental increases, which are recorded on an accrual basis. Ancillary and other property related income is recognized in the period earned.

We make estimates of the collectibility of our accounts receivables related to base rents, tenant escalations and reimbursements and other revenue or income. We specifically analyze tenant receivables and historical bad debts, customer credit worthiness, current economic trends and changes in customer payment terms when evaluating the adequacy of our allowance for doubtful accounts. In addition, when tenants are in bankruptcy, we make estimates of the expected recovery of pre-petition administrative and damage claims. In some cases, the ultimate resolution of those claims can exceed a year. These estimates have a direct impact on our net income because a higher bad debt reserve results in less net income.

We incurred approximately $175,000 and $445,000 and $253,000 and $645,000 of bad debt expense and related costs related to tenant receivables during the three and six month periods ended June 30, 2006 and 2005, respectively, which accordingly reduced our total revenues and reported net income during the period.

We record interest income on our investments in notes receivable on the accrual basis of accounting. We do 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 we consider in making an evaluation of the collectibility of interest are: (i) the status of the loan, (ii) the value of the underlying collateral, (iii) the financial condition of the borrower and (iv) anticipated future events.

Reckson Construction & Development LLC and Reckson Construction Group New York, Inc. use the percentage-of-completion method for recording amounts earned on their contracts. This method records amounts earned as revenue in the proportion that actual costs incurred to date bear to the estimate of total costs at contract completion.

Gain on the sale of real estate is recorded when title is conveyed to the buyer, subject to the buyer's financial commitment being sufficient to provide economic substance to the sale and us having no substantial continuing involvement with the buyer. Additionally, in connection with a sale of real estate, if we retain certain risks in the form of guarantees, the profit recognized on that sale shall be reduced and deferred by the maximum exposure to loss, until such exposure is relieved.

Real Estate

Land, buildings and improvements, furniture, fixtures and equipment are recorded at cost. Tenant improvements, which are included in buildings and improvements, are also stated at cost. Expenditures for ordinary maintenance and repairs are expensed to operations as they are 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, which are included in buildings and improvements, are amortized on a straight-line basis over the term of the related leases.

We are required to make subjective assessments as to the useful lives of our 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 our net income. Should we 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 us of certain other lease related costs must be made when we have a reason to believe that the tenant will not be able to execute under the term of the lease as originally expected.

On July 1, 2001 and January 1, 2002, we adopted FASB Statement No.141, "Business Combinations" and FASB Statement No. 142, "Goodwill and Other Intangibles", respectively ("Statement No.'s 141 and 142"). As part of the acquisition of real estate assets, the fair value of the real estate acquired is allocated to the acquired tangible assets, consisting of land, building and building improvements, and identified intangible assets and liabilities, consisting of the value of above-market and below-market leases, other value of in-place leases, and value of tenant relationships, based in each case on their fair values.

We allocate a portion of a property's purchase price to tangible assets including the fair value of the building and building improvements on an as-if-vacant basis and to land determined either by real estate tax assessments, independent appraisals or other relevant data. Additionally, we assess fair value of identified intangible assets and liabilities based on estimated cash flow projections that utilize appropriate discount and capitalization rates and available market information.

Estimates of future cash flows are based on a number of factors including the historical operating results, known trends, and market/economic conditions that may affect the property. If we incorrectly estimate the values at acquisition or the undiscounted cash flows, initial allocation of purchase price and future impairment charges may be different.

Long Lived Assets

We are required to make subjective assessments as to whether there are impairments in the value of our real estate properties and other investments. An investment'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 investment is less than the carrying value of the investment. Such assessments consider factors such as cash flows, expected future operating income, trends and prospects, as well as the effects of demand, competition and other factors. To the extent impairment has occurred it will be measured as the excess of the carrying amount of the property over the fair value of the property. These assessments have a direct impact on our net income, as the recognition of an impairment results in an immediate negative adjustment to net income. In determining impairment, if any, we have followed FASB Statement No. 144, "Accounting for the Impairment or Disposal of Long Lived Assets" ("Statement No. 144"). Statement No. 144 did not have an impact on net income. Statement No. 144 only impacts the presentation of the results of operations and gains on sales of real estate assets for those properties sold during the period within the consolidated statements of income.

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Share Based Payments

On December 16, 2004, the FASB issued Statement No. 123 (revised 2004), "Share-Based Payment" ("Statement No. 123R"), which is a revision of Statement No. 123. Statement No. 123R supersedes Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees", and amends FASB Statement No. 95, "Statement of Cash Flows." Generally, the approach in Statement No. 123R is similar to the approach described in Statement No. 123. However, Statement No. 123R requires all share-based payments to employees, including grants of employee stock options, to be recognized in the income statement based on their fair values. We adopted Statement No. 123R on January 1, 2006. The adoption of Statement No. 123R did not have a material impact on our consolidated financial statements.

Accumulated Other Comprehensive Income (Loss)

We report comprehensive income or loss in accordance with the provisions of FASB Statement No. 130, "Reporting Comprehensive Income", which establishes standards for reporting comprehensive income and its components in the financial statements. The components of other comprehensive income (loss) ("OCI") consist of unrealized gains and losses on derivative instruments. OCI is presented in the accompanying consolidated statements of partners' capital.

Variable Interest Entities

In January 2003, the FASB issued Interpretation No. 46, "Consolidation of Variable Interest Entities" ("FIN 46"), which explains how to identify variable interest entities ("VIEs") and how to assess whether to consolidate such entities. VIEs are primarily entities that lack sufficient equity to finance their activities without additional financial support from other parties or whose equity holders lack adequate decision making ability. All VIEs which we are involved with must be evaluated to determine the primary beneficiary of the risks and rewards of the VIE. The primary beneficiary is required to consolidate the VIE for financial reporting purposes. The initial determination of whether an entity qualifies as a VIE shall be made as of the date at which a primary beneficiary becomes involved with the entity and reconsidered as of the date of a triggering event, as defined. The provisions of this interpretation are immediately effective for VIEs formed after January 31, 2003. In December 2003 the FASB issued FIN 46R, deferring the effective date until the period ended March 31, 2004 for interests held by public companies in VIEs created before February 1, 2003, which were non-special purpose entities. We adopted FIN 46R during the period ended March 31, 2004 and have determined that our unconsolidated subsidiaries do not represent VIEs pursuant to such interpretation. We will continue to monitor any changes in circumstances relating to certain of our consolidated and unconsolidated joint ventures which could result in a change in our consolidation policy.

Current pronouncements

In July 2006, the FASB issued Interpretation No. 48, "Accounting for Uncertainty in Income Taxes" ("FIN 48"). This interpretation, among other things, creates a two step approach for evaluating uncertain tax positions. Recognition (step one) occurs when an enterprise concludes that a tax position, based solely on its technical merits, is more-likely-than-not to be sustained upon examination. Measurement (step two) determines the amount of benefit that more-likely-than-not will be realized upon settlement. De-recognition of a tax position that was previously recognized would occur when a company subsequently determines that a tax position no longer meets the more-likely-than-not threshold of being sustained. FIN 48 specifically prohibits the use of a valuation allowance as a substitute for de-recognition of tax positions, and it has expanded disclosure requirements. FIN 48 is effective for fiscal years beginning after December 15, 2006, in which the impact of adoption should be accounted for as a cumulative-effect adjustment to the beginning balance of retained earnings. We are currently evaluating FIN 48 and have not yet determined the impact the adoption will have on our consolidated financial statements.

In June 2005, the FASB ratified the consensus in EITF Issue No. 04-5, “Determining Whether a General Partner, or the General Partners as a Group, Controls a Limited Partnership or Similar Entity When the Limited Partners Have Certain Rights” (“Issue 04-5”), which provides guidance in determining whether a general partner controls a limited partnership. Issue 04-5 states that the general partner in a limited partnership is presumed to control that limited partnership. The presumption may be overcome if the limited partners have either (1) the substantive ability to dissolve the limited partnership or otherwise remove the general partner without cause or (2) substantive participating rights, which provide the limited partners with the ability to effectively participate in significant decisions that would be expected to be made in the ordinary course of the limited partnership’s business and thereby preclude the general partner from exercising unilateral control over the partnership. The adoption of Issue 04-5 by us for new or modified limited partnership arrangements is effective June 30, 2005 and for existing limited partnership arrangements effective January 1, 2006. We have evaluated the guidance provided for under Issue 04-5 and have concluded that we are not required to consolidate our current unconsolidated joint venture investments nor do we expect Issue 04-5 to have a material effect on our consolidated financial statements.

In May 2005, the FASB issued Statement No. 154, “Accounting Changes and Error Corrections” (“Statement No. 154”). Statement No. 154, which replaces APB Opinion No. 20, “Accounting Changes” and FASB Statement No. 3, “Reporting Accounting Changes in Interim Financial Statements”, changes the requirements for the accounting for and reporting of a change in accounting principle. The statement requires retrospective application of changes in accounting principle to prior periods’ financial statements unless it is impracticable to determine the period-specific effects or the cumulative effect of the change. Statement No. 154 is effective for accounting changes and corrections of errors made in fiscal years beginning after December 15, 2005. We adopted Statement No. 154 on January 1, 2006. The adoption of Statement No. 154 did not have a material impact on our consolidated financial position, results of operations or cash flows.

In March 2005, FASB issued Interpretation No. 47, “Accounting for Conditional Asset Retirement Obligations” (“FIN 47”), which became effective December 31, 2005. Under FIN 47, a conditional asset retirement obligation (“CARO”) must be recorded if the liability can be reasonably estimated. A CARO is an obligation that is settled at the time an asset is retired or disposed of and for which the timing and/or method of settlement are conditional on future events. We own certain properties that currently have asbestos which under certain conditions must be remediated. As a result of adopting FIN 47, we will increase the value of our recorded tangible assets at the time we recognize the associated conditional retirement obligation.

As a result, during 2005, we recorded approximately $2.0 million which represents the fair value of the CARO related to asbestos removal in tenant spaces. In addition, for certain limited areas of our properties, management is unable to reasonably determine the fair value of potential remediation costs as there is an indeterminate settlement date for the asset retirement obligation because the range of time over which way we may choose to remediate this condition may not be estimated with any level of precision which would lend itself to a meaningful estimate.

Overview and Background

The Operating Partnership commenced operations on June 2, 1995. Reckson Associates Realty Corp. (the “Company”), which serves as the sole general partner of the Operating Partnership, is a fully integrated, self administered and self managed real estate investment trust (“REIT”). The Operating Partnership and the Company were formed for the purpose of continuing the commercial real estate business of Reckson Associates, the predecessor of the Operating Partnership, its affiliated partnerships and other entities (“Reckson”). On August 3, 2006, we entered into an Agreement and Plan of Merger with SL Green Realty Corp., which agreement is further discussed below. Unless the context requires otherwise, the terms “Company”, “we”, “us”, “our” and similar terms include Reckson Associates Realty Corp., Reckson Operating Partnership, L. P. and their wholly-owned subsidiaries.

Reckson was engaged in the ownership, management, operation, leasing and development of commercial real estate properties, principally office and industrial / R&D buildings, and also owned undeveloped land located primarily on Long Island, New York. In June 1995, the Company completed an initial public offering (the “IPO”), succeeded to the Reckson’s real estate business and commenced operations.

The Operating Partnership is engaged in the ownership, management, operation, acquisition, leasing, financing and development of commercial real estate properties, principally office and to a lesser extent flex properties and also owns land for future development located in New York City and the surrounding tri-state area markets (the “New York Tri-State Markets”).

The Operating Partnership’s growth strategy is focused on the commercial real estate markets in and around the New York Tri-State Markets. All of our interests in our real properties, land held for development and investments in mortgage notes and notes receivable are held directly or indirectly by, and all of our operations are conducted through the Operating Partnership.

In connection with the IPO, we were granted an option to acquire the property located at 225 Broadhollow Road which is owned by certain Rechler family members including Scott H. Rechler, our CEO at a price based upon an agreed upon formula. Reckson Management Group, Inc. ("RMG") currently leases approximately 26,000 square feet of office space at this property for its corporate offices at an annual base rent of approximately $809,000. During 2005, RMG exercised a termination option to terminate this lease on November 30, 2006 without penalty and in August 2006 will relocate its corporate headquarters to Reckson Plaza, a wholly owned property located in Uniondale, Long Island. During June 2006, we incurred approximately $211,000 of expense related to the repair of certain HVAC equipment at the 225 Broadhollow Road property. Such expenditure was approved by the independent members of the Board of Directors. RMG also leases 10,722 square feet of warehouse space used for equipment, materials and inventory storage at a property owned by certain members of the Rechler family at an annual base rent of approximately $81,000. In addition, commencing April 1, 2004, RCD has been leasing approximately 17,000 square feet of space at 225 Broadhollow Road, Melville, NY at an annual base rent of approximately $507,000, which is scheduled to terminate on September 30, 2006. RCD has sub-let the entire 17,000 square feet to a third party for approximately $35,000 per month through RCD's September 2006 lease termination date. RCD will also relocate to Reckson Plaza.

During the three and six month periods ended June 30, 2006 and 2005, RCD billed approximately $29,000 and $30,000 and $17,000 and $26,000, respectively, of market rate services and RMG billed approximately $80,000 and $153,000 and $71,000 and $142,000, respectively, of market rate management fees to certain properties owned by members of the Rechler family including Scott H. Rechler, our CEO.

On March 28, 2005, an entity ("REP") owned by members of the Rechler family (excluding Scott H. Rechler, but including his father, Roger, and brother, Gregg) exercised a Right of First Refusal (which was granted in connection with the 2003 sale of the industrial portfolio by us) to acquire a vacant parcel of land for a purchase price of $2.0 million. We have agreed to provide REP with the option to defer the closing on the purchase until September 2006, for a non-refundable deposit of $400,000 and a fee of $10,666 per month for each month that the closing is deferred. In connection therewith, REP agreed to settle a dispute concerning an easement on a separate parcel of land owned by us adjacent to one of the properties transferred to REP in November 2003.

A company affiliated with an independent director of the Company leases 15,566 square feet in a property owned by us at an annual base rent of approximately $430,000. Such lease expired on October 31, 2005. We are currently in the process of renewing the lease for approximately 8,000 square feet upon market terms through 2011. Such renewal is subject to approval by the other independent directors of the Company's Board of Directors. In addition, since the lease's expiration, the lessee has been operating consistent with terms of the expired lease.

In May 2005, we acquired a 1.4 million square foot, 50-story, Class A office tower located at One Court Square, Long Island City, NY. On November 30, 2005, we sold a 70% joint venture interest in One Court Square to certain institutional funds advised by JPMorgan Investment Management (the "JPM Investor"). The operating agreement of the Court Square JV requires approvals from members on certain decisions including annual budgets, sale of the property, refinancing of the property's mortgage debt and material renovations to the property. In addition, after September 20, 2009 the members each have the right to recommend the sale of the property, subject to the terms of the mortgage debt, and to dissolve the Court Square JV. We have evaluated the impact of FIN 46R on our accounting for the Court Square JV and have concluded that the Court Square JV is not a VIE. We account for the Court Square JV under the equity method of accounting. We have also evaluated and determined that under Issue 04-5 the JPM Investor has substantive participating rights in the ordinary course of the Court Square JV's business. In accordance with the equity method of accounting, our proportionate share of the Court Square JV income was approximately $67,400 and $110,000 for the three and six months ended June 30, 2006, respectively.

On May 26, 2005, we entered into a contract to sell approximately 60 acres of land located in Chatham Township, NJ. The sale was contingent upon due diligence, environmental assessment, final re-zoning and other customary approvals. During July 2006, the contract was terminated.

On August 18, 2005, we entered into (i) an underwriting agreement relating to the public offering in Australia of approximately A$263.0 million (approximately US$202.0 million) of units ("LPT Units") in a newly-formed Reckson-sponsored Australian listed property trust, Reckson New York Property Trust ("Reckson LPT"), a newly-formed listed property trust which is traded on the Australian Stock Exchange and (ii) contribution and sale agreements pursuant to which, among other things, we agreed to transfer 25 of our properties for an aggregate purchase price of approximately $563.0 million and containing an aggregate of 3.4 million square feet, in three separate tranches, to the Australian JV in exchange for a 25 interest in the Australian JV and approximately $502.0 million in cash (inclusive of proceeds from mortgage debt to be assumed by the Australian JV). On September 21, 2005, Reckson LPT completed its public offering and the closing of the first of three tranches ("Tranche I") of this transaction.

In connection with the Tranche I closing, the Australian JV acquired from us 17 of our suburban office properties containing approximately 2.0 million square feet for approximately $367.0 million (including the assumption of approximately $196.1 million in mortgage debt which had been incurred by us in August 2005 – see Note 2). In return, we received a 25% interest in the Australian JV and approximately $128.1 million in cash resulting in an aggregate gain of approximately $103.6 million. As discussed below relating to certain guarantees we have made, approximately $18 million of the aggregate gain has been deferred to future periods pursuant to Statement No. 66 to coincide with the release of the guarantees. As a result, gains on sales of real estate reported in 2005, related to theTranche I closing was approximately $86.1 million. Approximately $22.0 million of the cash received was used to repay certain of our secured mortgage indebtedness on September 30, 2005 and approximately $105.7 million of the cash received was used to establish an escrow account with a qualified intermediary for a future exchange of real property pursuant to Section 1031 of the Code (a “Section 1031 Exchange”). A Section 1031 Exchange allows for the deferral of taxes related to the gain attributable to the sale of property if a qualified replacement property is identified within 45 days and such qualified replacement property is acquired within 180 days from the initial sale. On October 7, 2005 we acquired a qualified replacement property for purposes of this Section 1031 Exchange and thereby deferred a portion of the tax gain from the Tranche I sale.

In connection with the foregoing, on September 21, 2005, Reckson Australia Holdings LLC (“Reckson Holdings”), a wholly-owned subsidiary of the Operating Partnership, and Reckson Australia LPT Corporation (“LPT REIT”), a U.S. real estate investment trust which is wholly-owned by Reckson LPT, entered into the Amended and Restated Limited Liability Company Agreement governing the Australian JV (the “Operating Agreement”). Pursuant to the Operating Agreement, LPT REIT holds a 75% interest in, and acts as the managing member for, the Australian JV, and Reckson Holdings holds a 25% non-managing member interest therein. The Operating Agreement provides that, if at any time additional capital contributions are made to the Australian JV, Reckson Holdings will have a right to make additional capital contributions up to an amount necessary to maintain its 25% interest therein on the same terms and conditions as such other capital contributions.

As the managing member of the Australian JV, LPT REIT has the sole responsibility for managing its business and affairs on a day-to-day basis, other than with respect to certain identified “major decisions,” including but not limited to a merger or consolidation involving the Australian JV, a disposition of all or substantially all of its assets, or the liquidation or dissolution of the Australian JV. Such major decisions require the prior written consent of a majority of the non-managing members. As a result of the foregoing, we are accounting for our 25% non-managing member interest in the Australian JV under the equity method of accounting. In accordance with the equity method of accounting, our proportionate share of the Australian JV’s income was approximately $1.6 million and $1.9 million for the three and six months ended June 30, 2006, respectively.

On January 6, 2006, Reckson LPT completed the second Tranche of this transaction (“Tranche II”) whereby the Australian JV acquired three of our suburban office properties: 6800 and 6900 Jericho Turnpike, Syosset, NY and 710 Bridgeport Avenue, Shelton, CT, (the “Tranche II Properties”) aggregating approximately 761,000 square feet for approximately $84.6 million, including the assignment of approximately $20.1 million of mortgage debt. As a result, gains on sales of real estate related to Tranche II is approximately $35.4 million. Approximately $25.1 million of sales proceeds was used to establish an escrow account for the purpose of a future Section 1031 Exchange. During May 2006 we terminated the Section 1031 Exchange and received the sales proceeds previously held by the qualified intermediary, including accrued interest. Such proceeds were used to repay outstanding borrowings under our Credit Facility. The balance of the cash proceeds, received at the time of the sale was used to fund our development activities and for general corporate purposes. For federal income tax purposes we recognized a tax gain of approximately $26.7 million. We do not anticipate that such tax gain will require us to distribute more than our regular quarterly distribution in order to satisfy the distribution requirements necessary for the Company to qualify as a REIT.

The Tranche III closing (“Tranche III”), consisting of five of our suburban office properties valued at approximately $111.8 million, is scheduled to close in October 2006 and will include the assumption by the Australian JV of approximately $51.5 million of existing mortgage debt. It is anticipated that the Australian JV will pre-pay such mortgage debt in connection with the Tranche III closing. The Tranche III closing is subject to customary closing conditions and the “Tranche III Properties” consist of: 520 Broadhollow Road, 50 Marcus Avenue, 1660 Walt Whitman Road, all of which are located in Melville, NY, 580 White Plains Road, Tarrytown, NY and 300 Executive Park Drive, West Orange, NJ.

Our Service Companies provide asset management, property management, leasing, construction and other services to the Australian JV. Affiliates of ours are entitled to transaction fees and ongoing fees for providing services to the Australian JV. During January 2006, in connection with the Tranche II closing we earned and received approximately $819,000 in transaction related fees. Also, during the three and six months ended June 30, 2006 we earned and received approximately $1.5 million and $2.4 million, respectively of ongoing service related fees. Such amounts are included in investment income and other on our consolidated statements of income. In addition, we also formed Reckson Australia Management Limited (“RAML”), a wholly owned subsidiary, that will manage Reckson LPT and serve as its “Responsible Entity”. The Responsible Entity will be managed by a six member board that includes three independent directors domiciled in Australia and three of the Company’s executive officers. To address and mitigate any potential conflicts of interest with Reckson LPT or its affiliates the Company has adopted the following policies: (i) all transactions between the Company and Reckson LPT or its affiliates shall require the approval of a majority of the independent directors of both the Company and Reckson LPT, (ii) executive officers and directors of the Company are prohibited from owning equity in Reckson LPT, and (iii) the adoption of an express policy which mandates that property services and leasing decisions shall be made without regard to the Company’s percentage ownership of any property.

Under the Operating Agreement, Reckson Holdings will have the right, beginning September 21, 2007, to require LPT REIT to redeem all or a portion of Reckson Holdings' membership interest in the Australian JV for cash or, at LPT REIT's option, shares of LPT REIT's common stock (which may be exchanged for LPT Units) on a one-for-one basis. Reckson Holdings also has the right to cause the liquidation of the Australian JV in the event that RAML is replaced as Reckson LPT's Responsible Entity. In addition, the Operating Agreement contains a right of first refusal granting Reckson Holdings the right to acquire any asset of the Australian JV, at fair market value, in the event of an attempted sale of such asset or the exercise of Reckson Holdings' right to liquidate the Australian JV.

In connection with the Tranche I closing, on September 21, 2005, the Company, the Australian JV and LPT REIT entered into an Option Agreement (the "Option Agreement") pursuant to which we granted the Australian JV options to acquire ten additional properties from the Operating Partnership over a two year period, beginning January 1, 2006. The properties contain an aggregate of approximately 1.2 million square feet and will be priced based on the fair market value. The Option Agreement contains a right of first refusal granting the Australian JV the right to acquire any option property from Reckson in the event we receive, and are amenable to, an offer from a third party to purchase such option property. The Option Agreement will terminate under certain circumstances, including if (i) the Australian JV sends notice of its intent to exercise its option but fails to close as obligated, (ii) the Australian JV is in default under the Option Agreement, the contribution agreement or the sale agreement or (iii) RAML or an affiliate of ours is no longer the Responsible Entity of Reckson LPT.

In connection with the mortgage indebtedness securing nine of the Tranche I properties, which were transferred to the Australian JV on September 21, 2005, and three of the Tranche III properties scheduled to be transferred to the Australian JV during October 2006, we have guaranteed to the lender certain customary non-recourse carve-outs, as well as certain obligations relating to the potential termination of a number of leases at four of these properties. We have also guaranteed to the lender certain capital requirements related to these properties. We will be relieved of the customary non-recourse carve-outs and capital requirements upon transfer of the respective properties to the Australian JV and the Australian JV meeting a net worth test of at least $100.0 million. We will be relieved of all but two of the lease related obligations upon transfer of the respective properties to the Australian JV and the Australian JV meeting a net worth test of at least $200.0 million. The Australian JV has agreed to indemnify us for any loss, cost or damage it may incur pursuant to our guaranty of these obligations. The Australian JV has met the $100.0 million net worth threshold and there remain approximately $18 million of aggregate guarantees outstanding.

In accordance with FASB Statement No. 144, the assets and liabilities of the properties transferred and to be transferred, excluding the option properties, to the Australian JV are classified as held for sale on our consolidated balance sheets, for all periods presented.

During September 2005, we entered into a letter of intent with an entity owned by the owner of the New York Islanders professional hockey team to enter into a 50 / 50 joint venture to potentially develop over five million square feet of office, residential, retail and hotel space located on 77 acres in the Mitchel Field, Long Island sub-market in and around Nassau County's Veterans Memorial Coliseum where we are currently the largest owner of office properties. In March 2006, the joint venture was selected by the County Executive for the development of the 77 acre site. In May 2006, the County Executive and the joint venture entered into a memorandum of understanding for the development of the site. The development remains subject to certain conditions and governmental approvals, including legislative, zoning and other customary approvals. In addition, there can be no assurances that we will enter into the aforementioned joint venture, that all applicable conditions will be satisfied or that all required approvals can be obtained.

On March 7, 2006, we sold our 354,000 square foot office building in Orlando, Florida for aggregate consideration of approximately $70.0 million which resulted in a gain of approximately $9.5 million. Such gain is reflected as a component of discontinued operations on our consolidated statements of income. This non-core real estate holding was acquired in May 1999 in connection with our initial New York City portfolio acquisition. Net proceeds from the sale were used to establish an escrow account with a qualified intermediary for a future Section 1031 Exchange. During May 2006 we terminated the Section 1031 Exchange and received the sales proceeds previously held by the qualified intermediary, including accrued interest. Such proceeds were used to repay outstanding borrowings under our Credit Facility. For federal income tax purposes we recognized a tax gain of approximately $5.2 million. We do not anticipate that such tax gain will require us to distribute more than our regular quarterly distribution in order to satisfy the distribution requirements necessary for the Company to qualify as a REIT.

On March 31, 2006, we sold a 161,000 square foot office building located in Westchester County for $35.3 million. Sales proceeds received were used for the repayment of the mortgage note encumbering the property located at 1350 Avenue of the Americas in New York, NY. This non-core real estate holding was acquired in December 2005 as part of a 14 office property portfolio acquisition.

On March 31, 2006, a group of institutional investors led by JPMorgan Investment Management, our joint venture partner in the Court Square JV and the property located at 919 Third Avenue, NY, purchased our option to acquire the existing minority partners' 40% partnership interest in the Omni Property for net proceeds of approximately $9.0 million. Such proceeds have been included in investment income and other on our consolidated statements of income. In connection with this transaction, the original minority partner repaid to us approximately $22.1 million representing amounts due under a note receivable which was secured by their interest in the Omni Property. Such aggregate proceeds to us of approximately $31.2 million were used for the repayment of the mortgage note encumbering the property located at 1350 Avenue of the Americas in New York, NY.

As of June 30, 2006, we owned and operated 93 office properties (inclusive of twenty-six office properties owned through joint ventures) comprising approximately 19.3 million square feet and eight flex properties (inclusive of two flex properties owned through joint ventures) comprising approximately 863,000 square feet located in the New York Tri-State Markets.

We also own certain land parcels throughout our markets in the New York Tri-State Markets (the "Development Parcels"). During July 2005, we commenced the ground-up development on one of the Development Parcels of a 37,000 square foot Class A retail property located within our existing six building Landmark Square office park in Stamford, Connecticut. In August 2005, we recommenced the ground-up development of one of the Development Parcels of a 313,000 square foot Class A office building located within our existing three building office park located in Princeton, NJ. Further, one of the Development Parcels, aggregating approximately 4.1 acres, is classified as held for sale on our balance sheets and is expected to close during September 2006 for aggregate consideration of $2.0 million. Excluding the foregoing, at June 30, 2006 our inventory of Development Parcels aggregated approximately 305 acres of land in 9 separate parcels in which we had invested approximately $124.3 million.

Management has made subjective assessments as to the value and recoverability of our investments in the Development Parcels based on current and proposed development plans, market comparable land values and alternative use values. Based on these assessments, we believe there is no impairment to the carrying value of the Development Parcels.

Proposed Merger with SL Green Realty Corp.

On August 3, 2006, the Company, the Operating Partnership, SL Green Realty Corp. ("Parent"), Wyoming Acquisition Corp. ("Purchaser"), Wyoming Acquisition GP LLC and Wyoming Acquisition Partnership LP entered into an Agreement and Plan of Merger (the "Merger Agreement"). Under the terms of the Merger Agreement, the Company will merge with and into Purchaser (the "Merger"), with Purchaser continuing after the Merger as the surviving entity. At the effective time of the Merger, each of the issued and outstanding shares of common stock of the Company will be converted into the right to receive (i) $31.68 in cash, and (ii) 0.10387 of a share of the common stock, par value $0.01 per share, of Parent (the "Merger Consideration").

In addition, under the terms of the Merger Agreement, Wyoming Acquisition LP will merge with and into the Operating Partnership (the "Partnership Merger"), with the Operating Partnership continuing after the Partnership Merger as the surviving entity. At the effective time of the Partnership Merger, each common unit in the Operating Partnership will be converted into the right to receive the applicable amount of Merger Consideration, in respect of the number of shares of Reckson common stock issuable upon exchange of each such common unit in accordance with the Amended and Restated Agreement of Limited Partnership of the Operating Partnership as if such common units were converted or exchanged for an equal number of Reckson common shares immediately prior to the effective time of the Merger.

At the effective time of the Merger, any options which have not been exercised will be cancelled and holders will be paid the Merger Consideration in respect of such options; the exercise price of the options will first be deducted from the cash consideration and then second from the stock consideration, if necessary. All outstanding options are currently vested. Restricted stock, whether or not vested, will be converted into the right to receive the Merger Consideration as if such restricted stock had vested immediately prior to the effective time of the Merger. Restricted stock units, whether or not vested, and LTIP Units, whether or not vested, (other than certain LTIP Units held by Messrs. Rechler, Maturo and Barnett, the vesting and payment rights to which they are waiving pursuant to the Amendments described below) will be converted into the right to receive the Merger Cconsideration (on a one-for-one basis).

The Company has agreed to certain covenants, including, among others, subject to certain exceptions described in the Merger Agreement, an obligation not to initiate, solicit, encourage or facilitate (including by way of furnishing nonpublic information or assistance) any inquiries or the making of any proposal or other action that constitutes or may reasonably be expected to lead to any competing transaction (as defined in the Merger Agreement) or enter into discussions or negotiate with any person in furtherance of such inquiries or to obtain a competing transaction. Prior to the closing, the Company has agreed to operate its business in the ordinary course consistent with past practice and not to take certain actions specified in the Merger Agreement. The Company will be permitted to pay its regular quarterly dividends through the consummation of the Merger.

Consummation of the Merger is subject to customary conditions, including the approval of the Merger by the holders of the Company's common stock, the registration of SL Green's shares of common stock to be issued in the Merger, the listing of such shares on the New York Stock Exchange and the absence of any order, injunction or legal restraint or prohibition preventing the consummation of the Merger. In addition, each party's obligation to consummate the Merger is subject to certain other conditions, including (i) the accuracy of the representations and warranties of the other party (subject to the materiality standards contained in the Merger Agreement), (ii) compliance in all material respects of the other party with its covenants, (iii) the absence of a material adverse effect (as defined in the Merger Agreement) on the other party and (iv) the delivery of opinions with respect to each other's status as a real estate investment trust.

The Merger Agreement contains certain termination rights for both the Company and SL Green and provides that, upon termination of the Merger Agreement under specified circumstances described in the Merger Agreement, the Company would be required to pay SL Green a termination fee of $99.8 million, and/or that the Company would be required to reimburse SL Green for its out-of-pocket costs and expenses up to $13.0 million.

The Merger Agreement contains representations and warranties that the parties have made to each other as of specific dates. The assertions embodied in those representations and warranties were made solely for purposes of the contract between the parties, and may be subject to important qualifications and limitations agreed to by the parties in connection with negotiating its terms. Moreover, the representations and warranties are subject to a contractual standard of materiality that may be different from what may be viewed as material to shareholders, and the representations and warranties may have been intended not as statements of fact, but rather as a way of allocating risk among the parties.

This description of certain terms of the Merger Agreement does not purport to be complete and is qualified in its entirety by reference to the full text of the Merger Agreement, a copy of which is filed as an exhibit to this report.

Note Receivable Investments

At June 30, 2006, we had invested approximately $93.4 million in mezzanine loans and approximately $70.9 million in other loan investments (collectively, the "Note Receivable Investments"). In general these investments are secured by a pledge of either a direct or indirect ownership interest in the underlying real estate or leasehold, a first mortgage, other guaranties, pledges and assurances.

The following table sets forth the terms of the mezzanine loans at June 30, 2006 (in thousands):

Property	Amount	Interest Rate	Funding	Maturity
Long Island office portfolio	$ 8,031	9.00%	Mar., 2005	Apr., 2010(a)
Long Island office portfolio	20,356	9.00%	Mar., 2005	Apr., 2012(a)
72 Madison Avenue, NY, NY (b)	10,000	20.00%	Oct., 2005	Oct., 2007
1166 Avenue of the Americas, NY, NY (c)	25,000	17.50%	Nov., 2005	Nov., 2009
100 Wall Street, NY, NY	30,000	15.00%	Dec., 2005	Dec., 2007
	$ 93,387			

(a) Prepayable without penalty after 18 months from initial funding.

(b) In addition to this mortgage loan, Reckson Construction and Development, LLC ("RCD") entered into a development agreement with the owner of the property to perform certain predevelopment, development and / or other services with respect to the property. In exchange for its services, RCD will receive a development fee of $2.0 million which is payable in equal monthly installments over a two-year period which commenced during October 2005.

(c) Junior mezzanine loan secured by interests in a 550,000 square foot condominium interest.

In May 2005 we funded $55.3 million under an $85.0 million participating loan investment which is secured by an indirect interest in a 550,000 square foot condominium in a Class A office tower located at 1166 Avenue of the Americas, New York, NY. The loan accrues interest compounded at 9.0% and pays interest at an annual rate of 6.0% through March 2010, 8.5% thereafter through March 2015 and 11.0% thereafter through maturity in 2020. The loan is pre-payable only under certain circumstances and, in any case, not before 2009. Upon a capital event related to the indirect interest in the property which secures the loan, we are entitled to participate in 30% of the net proceeds derived from such capital event.

On March 30, 2006, we advanced approximately $14.2 million under three separate loan agreements which are secured by certain flex properties, aggregating approximately 450,000 square feet, located in Nassau County, Long Island and in part by a personal guarantee of an affiliate of the borrower. These loans have an initial weighted average interest rate of 15.3% and mature on April 1, 2008. In addition, the loans are not prepayable, without penalty, prior to October 1, 2007.

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At June 30, 2006, we held one other note receivable, which aggregated $1.0 million and carried an interest rate of 10.50% per annum. This note receivable matures on January 31, 2010 and is secured in part by a minority partner's preferred unit interest in the Operating Partnership.

The following table sets forth the terms of our other loan investments at June 30, 2006 (in thousands):

Property	Amount	Interest Rate	Funding	Maturity
NYC Class A office condominium interest	$ 55,250	9.00%	May, 2005	Apr., 2008
Flex property located in Nassau County, Long Island	14,188	15.29%	Mar., 2006	Dec., 2020
Other	1,000	10.50%	Oct., 2004	Jan., 2010
Other	500	5.35%	Dec., 2004	Dec., 2009
	$ 70,938			

As of June 30, 2006, management has made subjective assessments as to the underlying security value on the Note Receivable Investments. Based on these assessments, we believe there is no impairment to their carrying value.

On July 27, 2006, we advanced $20.0 million under a loan agreement which is secured by certain pledges of project income and ownership interests and a personal guarantee of an affiliate of the borrower. This loan matures in August 2009, bears interest at 15% per annum (10% annual pay rate and 5% monthly compounded deferred rate). The loan is pre-payable at any time and with yield maintenance through August 1, 2007 if pre-paid prior to August 2007. This investment was funded through a borrowing under our Credit Facility.

Our market capitalization at June 30, 2006 was approximately $5.4 billion. Our market capitalization is based on the sum of (i) the market value of the Company's common stock and OP Units (assuming conversion) of $41.38 per share / unit (based on the closing price of the Company's common stock on June 30, 2006), (ii) the liquidation preference value of the Operating Partnership's preferred units of $1,000 per unit and (iii) approximately $1.9 billion (net of minority partners' interests' share of consolidated joint venture debt and including our share of consolidated and unconsolidated joint venture debt) of debt outstanding at June 30, 2006. As a result, our total debt to total market capitalization ratio at June 30, 2006 equaled approximately 35.2%.

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Results of Operations

The following table is a comparison of the results of operations for the three month period ended June 30, 2006 to the three month period ended June 30, 2005 (dollars in thousands):

	Three months ended June 30,			
			Change	
	2006	2005	Dollars	Percent
Property Operating Revenues:				
Base rents	$ 128,575	$ 118,048	$ 10,527	8.9%
Tenant escalations and reimbursements	19,235	17,324	1,911	11.0%
Total property operating revenues	**$ 147,810**	**$ 135,372**	**$ 12,438**	**9.2%**
Property Operating Expenses:				
Operating expenses	$ 32,821	$ 29,710	$ 3,111	10.5%
Real estate taxes	24,153	21,506	2,647	12.3%
Total property operating expenses	**$ 56,974**	**$ 51,216**	**$ 5,758**	**11.2%**
Interest and Investment Income and other	**$ 7,831**	**$ 3,787**	**$ 4,044**	**>100%**
Other Expenses:				
Interest expense incurred	$ 27,216	$ 27,259	$ (43)	(.2)%
Amortization of deferred financing costs	1,017	1,068	(51)	(4.8)%
Marketing, general and administrative	9,475	8,241	1,234	15.0%
Total other expenses	**$ 37,708**	**$ 36,568**	**$ 1,140**	**3.1%**

Our property operating revenues, which include base rents and tenant escalations and reimbursements ("Property Operating Revenues"), increased by $12.4 million or 9.2% for the three months ended June 30, 2006 as compared to the 2005 period. The increase is a result of an $18.0 million increase in Property Operating Revenues from the acquisition of thirteen suburban office properties, containing approximately 2.4 million square feet which were acquired in the fourth quarter of 2005, $2.9 million attributable to straight line rental revenue increases in our same-store properties. In addition, during the 2006 period we earned approximately $11.8 million in lease termination fee revenue as opposed to approximately $800,000 earned during the 2005 period. These aggregate increases of approximately $31.9 million were offset by a $19.5 million decrease in Property Operating Revenues from the sale of the Tranche I Properties in September 2005, 100 Wall Street in December 2005, the Tranche II Properties in January 2006 and One Orlando Center in March 2006.

Our property operating expenses, real estate taxes and ground rents ("Property Expenses") increased by $5.8 million or 11.2% for the three months ended June 30, 2006 as compared to the 2005 period. The increase is a result of an $8.9 million increase in operating expenses and real estate taxes from the acquisition of the aforementioned suburban office properties which were acquired in the fourth quarter of 2005 and $4.2 million increase in operating expenses and real estate taxes in our same-store properties. These aggregate increases of approximately $13.1 million were offset by a $7.3 million decrease in Property Expenses from the aforementioned property sales. The increase in real estate taxes is attributable to higher taxes being levied by the municipalities in which the properties are located. The increase in property expenses is primarily driven by the recent increases in energy costs.

Gross operating margins (defined as Property Operating Revenues less Property Expenses, taken as a percentage of Property Operating Revenues) for the three month periods ended June 30, 2006 and 2005 were 61.5% and 62.2%, respectively. Our 2006 gross operating margin, before lease termination fee revenue was 58.1%. The decrease in our gross margins reflects the performance of thirteen suburban office properties, containing approximately 2.4 million square feet which were purchased in the fourth quarter of 2005 with below market occupancy levels. The addition of these properties resulted in a decrease in occupancy for our portfolio. In addition, we have experienced increases in real estate taxes and operating costs in our core portfolio, particularly energy costs, which were not entirely billable to our tenants.

Interest and Investment income and other increased by $4.0 million for the three months ended June 30, 2006 as compared to the 2005 period. This increase is primarily a result of an increase in interest income earned on our Note Receivable Investments of $2.2 million due to a weighted average increase in our Note Receivable Investments of approximately $43.4 million from the 2005 period and $1.8 million in management fees earned during the 2006 period related to the Australian and Court Square JV's.

Interest expense incurred decreased by approximately $43,000 for the three months ended June 30, 2006 as compared to the 2005 period. The net decrease in interest expense is a result of decreases in interest expense of $4.3 million incurred under our Credit Facility which resulted from a weighted average decrease in outstanding borrowings under our Credit Facility of approximately $229.7 million from the 2005 period, a decrease of $242,000 incurred under our same-store mortgage portfolio, a decrease in mortgage interest expense of $1.9 million incurred during the 2005 period from three mortgage notes which were subsequently satisfied, $411,000 of mortgage interest expense related to two properties which were contributed to the Australian JV on January 6, 2006, subject to their debt, an increase of approximately $669,000 in capitalized interest due to increased development activities and a decrease of 269,000 in other interest expense. These aggregate decreases of $7.8 million were off-set by a $2.8 million increase incurred from the Operating Partnership's issuance of $287.5 million of senior unsecured debentures in June 2005, $4.1 million related to the Operating Partnership's issuance of $275.0 million of senior unsecured debentures in March 2006, an increase of $680,000 incurred from our financing of three properties during September 2005 which are scheduled to be contributed to the Australian JV in the latter part of 2006 and $168,000 of mortgage interest expense incurred on a property which we acquired, subject to the debt in October 2005.

Marketing, general and administrative expenses increased by $1.2 million for the three months ended June 30, 2006 as compared to the 2005 period. This overall net increase is attributable to increased costs of maintaining offices and infrastructure in each of our five divisional markets, operating as a public company and higher compensation costs including amortization expense related to restricted stock awards to executive and non-executive officers. Marketing, general and administrative costs represented 6.0% of total revenues from continuing operations in the 2006 period as compared to 5.9% in the 2005 period.

During the June 2006 quarterly period, we incurred a $2.2 million charge related to our long-term incentive compensation plan with no comparable charge during the June 2005 quarterly period. For a further discussion of this charge, see "Other Matters" of this Item 2.

Discontinued operations, net of minority interests decreased by approximately $2.1 million for the three months ended June 30, 2006 as compared to the 2005 period. This increase is attributable to a decrease in the results of operations for those properties held for sale during the 2006 period as compared to the 2005 period.

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The following table is a comparison of the results of operations for the six month period ended June 30, 2006 to the six month period ended June 30, 2005 (dollars in thousands):

	Six months ended June 30,			
			Change	
	2006	2005	Dollars	Percent
Property Operating Revenues:				
Base rents	$ 244,660	$ 230,458	$ 14,202	6.2%
Tenant escalations and reimbursements	38,303	35,102	3,201	9.1%
Total property operating revenues	**$ 282,963**	**$ 265,560**	**$ 17,403**	**6.6%**
Property Operating Expenses:				
Operating expenses	$ 68,805	$ 61,116	$ 7,689	12.6%
Real estate taxes	48,404	42,840	5,564	13.0%
Total property operating expenses	**$ 117,209**	**$ 103,956**	**$ 13,253**	**12.7%**
Interest and Investment Income and other	**$ 25,407**	**$ 6,914**	**$ 18,493**	**>100%**
Other Expenses:				
Interest expense incurred	$ 55,205	$ 50,825	$ 4,380	8.6%
Amortization of deferred financing costs	2,139	2,059	80	3.9%
Marketing, general and administrative	18,957	16,236	2,721	16.8%
Total other expenses	**$ 76,301**	**$ 69,120**	**$ 7,181**	**10.4%**

Property Operating Revenues increased by $17.4 million or 6.6% for the six months ended June 30, 2006 as compared to the 2005 period. The increase is a result of a $37.2 million increase in Property Operating Revenues from the acquisition of thirteen suburban office properties, containing approximately 2.4 million square feet which were acquired in the fourth quarter of 2005, $8.2 million attributable to straight line rental revenue increases in our same-store properties. In addition, during the 2006 period we earned approximately $12.0 million in lease termination fee revenue as opposed to $1.3 million earned during the 2005 period. These aggregate increases of approximately $56.1 million were offset by a $38.7 million decrease in Property Operating Revenues from the sale of the Tranche I Properties in September 2005, 100 Wall Street in December 2005, the Tranche II Properties in January 2006 and One Orlando Center in March 2006.

Property Expenses increased by $13.3 million or 12.7% for the six months ended June 30, 2006 as compared to the 2005 period. The increase is a result of a $20.3 million increase in operating expenses and real estate taxes from the acquisition of the aforementioned suburban office properties which were acquired in the fourth quarter of 2005 and a $9.6 million increase in operating expenses and real estate taxes in our same-store properties. These aggregate increases of approximately $29.9 million were offset by a $16.6 million decrease in Property Expenses from the aforementioned property sales. The increase in real estate taxes is attributable to higher taxes being levied by the municipalities in which the properties are located. The increase in property expenses is primarily driven by the recent increases in energy costs.

Gross operating margins for the six month periods ended June 30, 2006 and 2005 were 58.6% and 60.9%, respectively. Our 2006 gross operating margin, before lease termination fee revenue was 56.8 %. The decrease in our gross margins reflects the performance of thirteen suburban office properties, containing approximately 2.4 million square feet which were purchased in the fourth quarter of 2005 with below market occupancy levels. The addition of these properties resulted in a decrease in occupancy for our portfolio. In addition, we have experienced increases in real estate taxes and operating costs in our core portfolio, particularly energy costs, which were not entirely billable to our tenants.

Interest and Investment income and other increased by $18.5 million for the six months ended June 30, 2006 as compared to the 2005 period. This increase is primarily a result of the sale of our option in March 2006 to acquire the minority partner's 40% partnership interest in the Omni Property for net consideration of approximately $9.0 million. In addition, this increase is attributable to an increase in interest income earned on our Note Receivable Investments of $5.2 million which resulted from a weighted average increase in our Note Receivable Investments of approximately $61.7 million from the 2005 period, $3.7 million in transaction and management fees earned during the 2006 period related to the Australian and Court Square JV's, and an increase in interest income of $1.1 million related to property sales proceeds held pursuant to Section 1031 Exchanges.

Interest expense incurred increased by $4.4 million or 8.6% for the six months ended June 30, 2006 as compared to the 2005 period. Approximately $5.8 million of the increase is attributable to the Operating Partnership's issuance of $287.5 million of senior unsecured debentures in June 2005 and $4.1 million related to the Operating Partnership's issuance of $275.0 million of senior unsecured debentures in March 2006. Interest expense also increased by $2.9 million incurred under an unsecured term loan, which was funded in January 2006, used to purchase the Eastridge portfolio and repaid later in the first quarter of 2006, $1.3 million incurred from our financing of three properties during September 2005 which are scheduled to be contributed to the Australian JV in the latter part of 2006 and $336,000 of mortgage interest expense incurred on a property which we acquired, subject to the debt in October 2005. These aggregate increases of $14.4 million were off-set by decreases in interest expense of $4.5 million incurred under our Credit Facility which resulted from a weighted average decrease in outstanding borrowings under our Credit Facility of approximately $173.5 million from the 2005 period, $339,000 incurred under our same-store mortgage portfolio, a decrease in mortgage interest expense of $2.7 million incurred during the 2005 period from three mortgage notes which were subsequently satisfied, $802,000 of mortgage interest expense related to two properties which were contributed to the Australian JV on January 6, 2006, subject to their debt, an increase of approximately $1.5 million in capitalized interest expense due to increased development activities and a decrease of $215,000 in other interest expense.

Marketing, general and administrative expenses increased by $2.7 million for the six months ended June 30, 2006 as compared to the 2005 period. This overall net increase is attributable to increased costs of maintaining offices and infrastructure in each of our five divisional markets, operating as a public company and higher compensation costs including amortization expense related to restricted stock awards to executive and non-executive officers. Marketing, general and administrative costs represented 6.1% of total revenues from continuing operations (excluding gains on sales of depreciable real estate assets) in the 2006 period as compared to 6.0% in the 2005 period.

Liquidity and Capital Resources

Historically, rental revenue has been the principal source of funds to pay operating expenses, debt service and non-incremental capital expenditures, excluding incremental capital expenditures. We expect to meet our short-term liquidity requirements generally through our net cash provided by operating activities along with our $500 million unsecured credit facility (the "Credit Facility") described below. The Credit Facility contains several financial covenants with which we must be in compliance in order to borrow funds thereunder. During the prior two years, we have incurred significant leasing costs in the form of tenant improvement costs, leasing commissions and free rent. This trend is a result of market demands from tenants and high levels of leasing transactions to re-tenant scheduled expirations or space vacated due to early terminations of leases. We are also expending costs on tenants that are renewing or extending their leases earlier than scheduled. For the years ended December 31, 2005 and 2004, we paid or accrued approximately $67.7 million and $52.2 million, respectively, for tenanting costs including tenant improvement costs and leasing commissions. Primarily, as a result of these factors, our cash available for distribution from operating activities was not sufficient to cover 100% of the dividends paid on our common equity. However, we are beginning to experience a moderation in the cost of re-tenanting our properties, primarily in terms of free rent concessions and costs to renew existing tenants. We are not yet experiencing significant reductions in the cost of re-leasing vacant or vacated space. Recently we have experienced an economic recovery in our markets, including an accelerated recovery in our New York City and Long Island markets. We are beginning to also see this trend in certain of our Stamford, Connecticut properties. This is resulting in rental rate increases which is positively impacting our cash flow. To meet the short-term funding requirements relating to the higher leasing costs, we have used proceeds from non-core property sales or borrowings under our Credit Facility. Based on our forecasted leasing, we anticipate that we will continue to incur shortfalls during 2006. Subject to the restrictive covenants contained in the Merger Agreement, we currently intend to fund any shortfalls with proceeds from sales of non-income producing assets or borrowings under our Credit Facility. We periodically review our distribution policy to determine the appropriateness of our distribution rate relative to our cash flows. We adjust our distribution rate based on such factors as leasing activity, market conditions and forecasted increases and decreases in our cash flow as well as required distributions of taxable income to maintain the Company's REIT status. The Merger Agreement contains limitations on our ability to make dividends and distributions. There can be no assurance that we will maintain the current quarterly distribution level on our common equity.

Subject to the restrictive covenants contained in the Merger Agreement, we expect to meet most of our financing requirements through long-term unsecured borrowings and the issuance of debt and equity securities of the Operating Partnership or the Company, as the case may be. In certain situations, primarily in joint venture transactions, we use secured debt in connection with the acquisition of properties. During March 2006, the Operating Partnership issued $275 million of senior unsecured debt securities and during June 2005 issued $287.5 million of exchangeable senior debentures. There can be no assurance that there will be adequate demand for the Company's equity at the time or at the price in which the Company desires to raise capital through the sale of additional equity. Similarly, there can be no assurance that the Operating Partnership will be able to access the unsecured debt markets at the time when the Operating Partnership desires to sell its unsecured notes. In addition, when valuations for commercial real estate properties are high, we will seek to sell non-core operating properties or certain land inventory to realize value and profit created, subject to the restrictive covenants contained in the Merger Agreement. We will then seek opportunities to reinvest the capital realized from these dispositions back into value-added assets in our core New York Tri-State Markets. However, there can be no assurances that we will be able to identify such opportunities that meet our underwriting criteria. Additionally, we have been actively seeking joint venture relationships to access new sources of equity capital. In September 2005, we completed a series of transactions whereby we sponsored the IPO of Reckson LPT, a newly-formed Australian listed property trust which is traded on the Australian Stock Exchange. Proceeds received from the IPO were used by Reckson LPT to form a joint venture with us, the Australian JV, and to purchase 17 of our properties. In addition, during January 2006, we sold three additional properties to the Australian JV and are under contract to sell an additional five of our properties to the Australian JV during October 2006. Subject to the restrictive covenants contained in the Merger Agreement, it is our intention to purchase additional assets, within our New York Tri-State Markets, with Reckson LPT through the Australian JV. Joint ventures often involve relinquishing sole decision making authority relating to material events such as sale and financing. Loss of control of these decisions may adversely affect our financial flexibility, particularly relating to liquidating joint venture assets. There can be no assurances that we will be able to successfully execute this strategy.

Subject to the restrictive covenants contained in the Merger Agreement, we expect to refinance existing mortgage indebtedness, senior unsecured notes or indebtedness under our Credit Facility at maturity through the issuance of unsecured debt securities or additional equity securities. We anticipate that the current balance of cash and cash equivalents and cash flows from operating activities, together with cash available from borrowings, equity offerings and proceeds from sales of land and non-income producing assets, will be adequate to meet our capital and liquidity requirements in both the short and long-term. Our senior unsecured debt is currently investment grade rated "BBB-" by Fitch Ratings, "BBB-" by Standard & Poor's and "Baa3" by Moody's Investors Service. The rating agencies review the ratings assigned to an issuer such as us on an ongoing basis. Negative changes in our ratings may result in increases in our borrowing costs, including borrowings under our Credit Facility.

Our markets are currently in the recovery stage in the economic cycle. As a result of current economic conditions, we have generally experienced higher renewal rates and a lower number of lease terminations. Vacancy rates in our markets are generally stable or decreasing and asking rents in our markets have stabilized and in some instances, particularly in New York City and Long Island, are trending higher. Landlords are still required to grant concessions such as free rent and tenant improvements but generally at a more moderate rate than had been experienced in the prior year, particularly on renewal space. Our markets continue to experience higher real estate taxes and utility rates. The recent volatility in the energy markets has had a substantial impact on cost of utilities in the northeast where we own our properties. In certain of our markets, the increase in real estate taxes and utility costs will be included as part of expenses subject to escalation above a "base year" and billed to tenants consistent with the terms of their underlying leases. We are also experiencing a similar increase in cost of building materials to fit out tenant space, maintain our buildings and in new development costs. We believe that trends are moving positively from a landlord's perspective particularly in terms of increased demand and limited new supply and that the above average tenant costs relating to leasing are moderating. This trend is supported by increased occupancy and reduced vacancy rates in most of our markets, the general economic recovery in the market resulting in job growth, and the scarcity of available land in which to develop a new supply of office space.

We carry comprehensive liability, fire, extended coverage and rental loss insurance on all of our properties. Six of our properties are located in New York City. As a result of the events of September 11, 2001, insurance companies were limiting coverage for acts of terrorism in "all risk" policies. In November 2002, the Terrorism Risk Insurance Act ("TRIA") of 2002 was signed into law, which, among other things, requires insurance companies to offer coverage for losses resulting from defined "acts of terrorism" through 2005. The TRIA was subsequently extended, with certain modifications, through 2007 with the enactment of the Terrorism Insurance Extension Act of 2005. Our current property insurance coverage, which was recently renewed, provides for full replacement cost of our properties, including for acts of terrorism up to $600.0 million on a per occurrence basis. One of our New York City properties, One Court Square, is operated under a net lease to Citibank, N.A. whereby they are required to maintain adequate property and liability insurance including coverage for acts of terrorism.

The potential impact of terrorist attacks in the New York City and New York Tri-State Markets may adversely affect the value of our properties and our ability to generate cash flow. As a result, there may be a decrease in demand for office space in metropolitan areas that are considered at risk for future terrorist attacks, and this decrease may reduce our revenues from property rentals.

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. As a result, it is anticipated that the Operating Partnership will make distributions in amounts to meet this requirement. We expect to use our cash flow from operating activities for distributions to unitholders and for payment of recurring, non-incremental revenue-generating expenditures. We intend to invest amounts accumulated for distribution in short-term investments.

We currently maintain our $500 million Credit Facility with JPMorgan Chase Bank, as administrative agent, Wells Fargo Bank, National Association as syndication agent and Citicorp, North America, Inc. and Wachovia Bank, National Association as co-documentation agents. The Credit Facility matures in August 2008, provides for a one-year extension subject to a fee of 25 basis points and, upon receiving additional lender commitments, for an increase to the maximum revolving credit amount to $750 million. The Credit Facility has a competitive bid feature, which allows us to solicit bids from lenders under the Credit Facility to borrow up to 50% of the maximum revolving credit amount at interest rates less than the current LIBOR plus 80 basis point spread. In addition, the Credit Facility carries a facility fee of 20 basis points per annum. In the event of a change in the Operating Partnership’s senior unsecured credit ratings the interest rates and facility fee are subject to change. At June 30, 2006, the outstanding borrowings under the Credit Facility aggregated $92.0 million and carried a weighted average interest rate of 5.86% per annum.

We utilize the Credit Facility primarily to finance real estate investments, fund our real estate development activities and for working capital purposes. At June 30, 2006, we had availability under the Credit Facility to borrow approximately an additional $407.9 million, subject to compliance with certain financial covenants. Such amount is net of approximately $100,000 in an outstanding undrawn standby letter of credit, which is issued under the Credit Facility.

In connection with the acquisition of certain properties, contributing partners of such properties have provided guarantees on certain of our indebtedness. As a result, we maintain certain minimum outstanding balances on our Credit Facility.

On January 13, 2006, we obtained a $250.0 million term loan (the “Term Loan”) from Goldman Sachs Mortgage Company. The Term Loan was for an initial period of three months and had terms, including interest rates and financial covenants, substantially similar to our Credit Facility. Proceeds from the Term Loan were used to repay outstanding borrowings under our Credit Facility. On March 31, 2006, in conjunction with net proceeds received from the issuance of Senior Unsecured Notes, we repaid the entire amount outstanding under the Term Loan. As a result, the Term Loan has been retired and is no longer available for borrowings thereunder.

As a result of increased market values for our commercial real estate assets, we have sold certain non-core assets or interests in assets where significant value has been created. During 2004, we sold assets or interests in assets with aggregate sales prices of approximately $51.4 million, net of minority partners’ joint venture interests. During 2005 we sold approximately $909.8 million of our real estate assets including disposition of interests to joint ventures and during the first quarter of 2006, we sold two of our non-core assets, the Tranche II LPT Properties and an option to acquire our minority partner’s 40% partnership interest in the Omni Property for aggregate sales proceeds of approximately $178.9 million. We used the proceeds from these sales primarily to pay down borrowings under the Credit Facility, for general corporate purposes and to invest in short-term liquid investments until such time as alternative real estate investments could be made.

A Class A OP Unit and a share of common stock have similar economic characteristics as they effectively share equally in the net income or loss and distributions of the Operating Partnership. As of June 30, 2006, the Operating Partnership had issued and outstanding 1,546,133 Class A OP Units and 456,621 Class C OP Units. The Class A OP Units and the Company’s common stock currently receive a quarterly distribution of $.4246 per unit/share. The Class C OP Units were issued in August 2003 in connection with the contribution of real property to the Operating Partnership and currently receive a quarterly distribution of $.4664 per unit. Subject to certain holding periods, OP Units may either be redeemed for cash or, at the election of the Company, exchanged for shares of common stock on a one-for-one basis.

As of June 30, 2006, the Company had approximately 1.3 million shares of its common stock reserved for issuance under its stock option plans, in certain cases subject to vested terms, at a weighted average exercise price of $24.63 per option. In addition, the Company has approximately 2.7 million shares of its common stock reserved for future issuance under its stock option plans.

The Operating Partnership issues additional units to the Company, and thereby increases the Company’s general partnership interest in the Operating Partnership, with terms similar to the terms of any securities (i.e., common stock or preferred stock) issued by the Company (including any securities issued by the Company upon the exercise of stock options). Any consideration received by the Company in respect of the issuance of its securities is contributed to the Operating Partnership. In addition, the Operating Partnership or a subsidiary funds the compensation of personnel, including any amounts payable under the Company’s LTIP.

During June 2005, the Operating Partnership issued $287.5 million aggregate principal amount of 4.00% exchangeable senior debentures due June 15, 2025. The debentures were issued at 98% of par and are exchangeable for shares of common stock of the Company on or after June 15, 2024 at an initial exchange rate of 24.6124 common shares per $1,000 of principal amount of debentures. The debentures are also exchangeable: (i) if the market price of the Company's common stock over a specified period of time is more than 125% of the exchange price per share then in effect; (ii) if the trading price of the debentures over a specified period of time is less than 98% of the product of the closing price of the Company's shares multiplied by the applicable exchange rate; (iii) during a specified period of time, for any debentures that have been called for redemption; (iv) under certain circumstances, upon the occurrence of a distribution to holders of the Company's shares of (a) rights to purchase the Company's common stock at a price below the market price of the Company's shares or (b) assets, debt securities or rights to purchase the Company's securities or securities of the Operating Partnership that have a per share/unit value exceeding 10% of the market price of the Company's shares; (v) if the Company's common stock is not listed on a national or regional securities exchange or quoted on NASDAQ for 30 consecutive trading days; or (vi) if the Operating Partnership or the Company is party to a consolidation, merger or binding share exchange pursuant to which all of the Company's common stock would be exchanged for cash, securities or other property.

The initial exchange price of $40.63 represents a premium of approximately 25% to the closing price of the Company's common stock on the issuance date of $32.50 per share. If exchanged in accordance with their terms, the debentures will be settled in cash up to their principal amount and any remaining exchange value will be settled, at our option, in cash, the Company's common stock or a combination thereof. In accordance with the exchange rate terms of the debentures the Company has reserved approximately 8.8 million shares of its authorized common stock, $.01 par value, for potential future issuance upon the exchange of the debentures. Such amount is based on an exchange rate of 30.7692 common shares per $1,000 of principal amount of debentures. Although we have reserved these shares pursuant to the exchange rate terms, we believe the issuance of the Company's shares, if any, would be significantly less than 8.8 million shares. The debentures are guaranteed by the Company. We have the option to redeem the debentures beginning June 18, 2010 for the principal amount plus accrued and unpaid interest. Holders of the debentures have the right to require us to repurchase their debentures at 100% of the principal amount thereof plus accrued and unpaid interest on June 15, 2010, June 15, 2015 and June 15, 2020 or, in the event of certain change in control transactions (including the Merger), prior to June 15, 2010.

During the three month period ended June 30, 2006, certain limited partners in the Operating Partnership exchanged 12,224 OP Units for an equal number of shares of the Company's common stock.

The Board of Directors of the Company initially authorized the purchase of up to 5.0 million shares of the Company's common stock. Transactions conducted on the New York Stock Exchange have been, and will continue to be, effectuated in accordance with the safe harbor provisions of the Securities Exchange Act of 1934 and may be terminated by the Company at any time. Since the Board's initial authorization, the Company has purchased 3,318,600 shares of its common stock for an aggregate purchase price of approximately $71.3 million. In June 2006, the Board of Directors authorized the re-institution of the Company's common stock repurchase program, which had been inactive since March 2003. Subject to the restrictive covenants contained in the Merger Agreement, the Company may repurchase up to an aggregate of 5.0 million shares of its common stock under the re-instituted plan.

The Operating Partnership has issued and outstanding 1,200 preferred units of limited partnership interest with a liquidation preference value of $1,000 per unit and a stated distribution rate of 7.0%, which is subject to reduction based upon terms of their initial issuance (the "Preferred Units"). The terms of the Preferred Units provide for this reduction in distribution rate in order to address the effect of certain mortgages with above market interest rates, which were assumed by the Operating Partnership in connection with properties contributed to the Operating Partnership in 1998. As a result of the aforementioned reduction, there are currently no distributions being made on the Preferred Units.

Capitalization

Our indebtedness at June 30, 2006 totaled approximately $1.9 billion (net of minority partners' interests' share of consolidated joint venture debt and including our share of consolidated and unconsolidated joint venture debt) and was comprised of approximately $99.6 million of floating rate unsecured debt, approximately $1.25 billion of senior unsecured notes and approximately $564.7 million of fixed rate mortgage indebtedness with a weighted average interest rate of approximately 6.0% and a weighted average maturity of approximately 4.9 years. Based on our total market capitalization of approximately $5.4 billion at June 30, 2006 (calculated based on the sum of (i) the market value of the Company's common stock and OP Units, assuming conversion, (ii) the liquidation preference value of the Preferred Units and (iii) the $1.9 billion of debt), our debt represented approximately 35.2% of our total market capitalization.

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CONTRACTUAL OBLIGATIONS AND COMMERCIAL COMMITMENTS

The following table sets forth our significant consolidated debt obligations by scheduled principal cash flow payments and maturity date and our commercial commitments by scheduled maturity at June 30, 2006 (in thousands):

	MATURITY DATE						
	2006	2007	2008	2009	2010	*Thereafter*	Total
Mortgage notes payable (1)	$ 5,229	$ 8,406	$ 7,370	$ 6,774	$ 4,665	$ 3,236	$ 35,680
Mortgage notes payable (2)	40,402	60,642	—	100,254	62,105	228,435	491,838
Senior unsecured notes	—	200,000	—	200,000	287,500	575,000	1,262,500
Credit Facility	—	—	92,000	—	—	—	92,000
Land lease obligations (3)	6,227	12,471	12,498	12,644	12,566	342,849	399,255
Air rights lease obligations	181	362	362	362	362	3,257	4,886
Capital leases	335	671	671	671	671	3,188	6,207
Operating leases	660	194	196	14	—	—	1,064
	$ 53,034	$ 282,746	$ 113,097	$ 320,719	$ 367,869	$ 1,155,965	$ 2,293,430

(1) Scheduled principal amortization payments.

(2) Principal payments due at maturity.

(3) We lease, pursuant to noncancellable operating leases, the land on which ten of our buildings were constructed. The leases, certain of which contain renewal options at our direction, expire between 2043 and 2090. The leases either contain provisions for scheduled increases in the minimum rent at specified intervals or for adjustments to rent based upon the fair market value of the underlying land or other indices at specified intervals. Minimum ground rent is recognized on a straight-line basis over the terms of the leases and includes lease renewals if reasonably assured that we will exercise that option.

At June 30, 2006, approximately $41.0 million, or 7.8%, of our mortgage debt was recourse to the Company.

The following table sets forth our significant consolidated interest expense obligations on our fixed rate debt by scheduled cash flow payments at June 30, 2006, excluding interest expense obligations related to those properties classified as held for sale on our consolidated balance sheet (in thousands):

	YEAR ENDED DECEMBER 31,						
	2006	2007	2008	2009	2010	*Thereafter*	Total
Mortgage notes payable	$ 16,711	$ 28,422	$ 24,782	$ 21,633	$ 16,105	$ 10,041	$ 117,694
Senior unsecured notes	33,231	57,113	48,538	36,267	33,038	118,892	327,079
Exchangeable debentures[a]	5,750	11,500	11,500	11,500	11,500	166,271	218,021
	$ 55,692	$ 97,035	$ 84,820	$ 69,400	$ 60,643	$ 295,204	$ 662,794

(a) Callable after June 17, 2010 at par.

Interest expense obligations related to those properties classified as held for sale on our consolidated balance sheet at June 30, 2006 over the next five years aggregated approximately $15.3 million.

Interest expense incurred under our variable rate Credit Facility amounted to approximately $2.4 million for the three months ended June 30, 2006 and was based on a weighted average balance and interest rate of $151.8 million and 6.37%, respectively. Our rental revenues are our principal source of funds along with our net cash provided by operating activities to meet these and future interest obligations.

We had undrawn letters of credit outstanding of approximately $100,000 at June 30, 2006.

Certain of the mortgage notes payable are guaranteed by the Company and/or certain limited partners in the Operating Partnership. 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.

Corporate Governance

In February 2006 the Company amended its Bylaws to implement certain corporate governance policies, including (i) a requirement that at least two-thirds of the members of the Board of Directors consist of independent directors and (ii) the establishment of an Affiliate Transaction Committee, which consists of all of the independent directors.

The corporate governance policies implemented by the amendments to the Bylaws supplement the Company's previously-enacted corporate governance enhancements, which include: (i) the de-staggering of the Board of Directors so that shareholders can vote on the entire slate of directors each year; (ii) the establishment of an independent lead director position; (iii) the mandatory rotation of at least one independent director every three years; (iv) a requirement that independent directors own a minimum equity stake in the Company of $100,000 of common stock; (v) a requirement that a substantial portion of directors' compensation be in the Company's equity, which equity must be held during each director's tenure on the Board; (vi) opting out of the Maryland Business Combination Statute; and (vii) modifying the Company's "five or fewer" limitation on the ownership of its common stock so that such limitation may only be used to protect the Company's REIT status and not for anti-takeover purposes.

On July 10, 2006, Dr. Edward R. Casas was appointed as an independent director of the Company's Board of Directors. At such time, Dr. Casas also was appointed as a member of the Executive Committee, Nominating and Corporate Governance Committee, the Compensation Committee and Affiliate Transaction Committee of the Board of Directors. There are no arrangements or understandings between Dr. Casas and any other person pursuant to which Dr. Casas was appointed as a director, and neither Dr. Casas nor any member of his immediate family has or had, since the beginning of the Company's last fiscal year, a material interest in any transaction or proposed transaction with the Company.

Affiliate Transaction Committee of the Board of Directors

The Affiliate Transaction Committee of the Board has reviewed and approved the Merger Agreement after considering, among other things, management's participation in the proposed transaction and the opinions of its financial and legal advisors. The committee determined that the proposed transaction is fair to and in the best interests of the Company and of its shareholders. Additional information concerning the proposed transaction and the Affiliate Transaction Committee's determination can be found in the "Overview of the Reckson - SL Green Transaction" filed by the Company on Schedule 14A on August 8, 2006, and in the joint proxy statement/prospectus when it becomes available.

Other Matters

In July 2002, as a result of certain provisions of the Sarbanes-Oxley Act of 2002, we discontinued the use of stock loans in our Long Term Incentive Programs ("LTIP"). In connection with LTIP grants made prior to the enactment of the Sarbanes-Oxley Act of 2002, we currently have stock loans outstanding to certain executive officers which were used to purchase 385,000 shares of the Company's common stock. The stock loans were priced at the market prices of the Company's common stock at the time of issuance, bear interest at the mid-term Applicable Federal Rate and are secured by the shares purchased. Such stock loans (including accrued interest) are scheduled to vest and be ratably forgiven each year on the anniversary of the grant date based upon initial vesting periods ranging from seven to ten years. Such forgiveness is based on continued service and in part on the Company attaining certain annual performance measures. These stock loans had an initial aggregate weighted average vesting period of approximately nine years. As of June 30, 2006, there remains 139,000 shares of common stock subject to the original stock loans which are anticipated to vest between 2007 and 2011. Approximately $627,000 and $1.4 million and $573,000 and $1.1 million of compensation expense (inclusive of cash payments in respect of taxes payable by the borrower resulting from such forgiveness) was recorded for the three and six month periods ended June 30, 2006 and 2005, respectively, related to these loans. Such amounts have been included in marketing, general and administrative expenses on the accompanying consolidated statements of income.

The outstanding stock loan balances due from executive officers aggregated approximately $2.9 million and $3.8 million at June 30, 2006 and December 31, 2005, respectively, and have been included as a reduction of additional paid in capital on the accompanying consolidated balance sheets. Other outstanding loans to executive and senior officers at June 30, 2006 and December 31, 2005 amounted to approximately $1.6 million and $2.5 million, respectively, and are included in investments in affiliate loans and joint ventures on the accompanying consolidated balance sheets and are primarily related to tax payment advances on stock compensation awards and life insurance contracts made to certain executive and non-executive officers.

In November 2002 and March 2003, an award of rights was granted to certain executive officers of the Company (the "2002 Rights" and "2003 Rights", respectively, and collectively, the "Rights"). Each Right represents the right to receive, upon vesting, one share of the Company's common stock if shares are then available for grant under one of the Company's stock option plans or, if shares are not so available, an amount of cash equivalent to the value of such stock on the vesting date. The 2002 Rights vest in four equal annual installments beginning on November 14, 2003 (and shall be fully vested on November 14, 2006). The 2003 Rights were earned on March 13, 2005 and vest in three equal annual installments beginning on March 13, 2005 (and shall be fully vested on March 13, 2007). Dividends on the shares will be held by the Company until such shares become vested, and will be distributed thereafter to the applicable officer. The 2002 Rights also entitle the holder thereof to cash payments in respect of taxes payable by the holder resulting from the 2002 Rights. The 2002 Rights aggregate 62,835 shares of the Company's common stock and the 2003 Rights aggregate 26,040 shares of common stock. As of June 30, 2006, there remains 15,709 shares of common stock reserved related to the 2002 Rights and 8,682 shares of common stock reserved related to the 2003 Rights. Approximately $120,000 and $240,000 and $120,000 and $224,000 of compensation expense was recorded for the three and six month periods ended June 30, 2006 and 2005, respectively, related to the Rights. Such amounts have been included in marketing, general and administrative expenses on the accompanying consolidated statements of income.

In March 2003, the Company established a new LTIP for its executive and senior officers (the "2003 LTIP"). The four-year plan has a core award, which provides for annual stock based compensation based upon continued service and in part based on the Company attaining certain annual performance measures. The plan also has a special outperformance component in the form of a bonus pool equal to 10% of the total return in excess of a 9% cumulative and compounded annual total return on the Company's common equity for the period through the four-year anniversary after the date of grant (the "Special Outperformance Pool"). The aggregate amount payable to such officers from the Special Outperformance Pool is capped at an amount calculated based upon a total cumulative and compounded annual return on the common equity of 15%. An officer's special outperformance award represents an allocation of the Special Outperformance Pool and will become vested on the fourth anniversary of the date of grant, provided that the officer remains in continuous employment with the Company or any of its affiliates until such date, and the Company has achieved on a cumulative and compounded basis, during the four fiscal years completed on the applicable anniversary date, a total return to holders of the common equity that (i) is at or above the 60th percentile of the total return to stockholders achieved by members of the peer group during the same period and (ii) equals at least 9% per annum. Special outperformance awards will be paid in cash; however, the Compensation Committee, in its sole discretion, may elect to pay such an award in shares of common stock, valued at the date of vesting, if shares are available at such time under any of the Company's existing stock option plans. The LTIP provides that no dividends or dividend equivalent payments will accrue with respect to the special outperformance awards. On March 13, 2003, the Company made available 827,776 shares of its common stock under its existing stock option plans in connection with the core award of the 2003 LTIP for certain of its executive and senior officers. During May 2003, the special outperformance awards of the 2003 LTIP were amended to increase the per share base price above which the four year cumulative return is measured from $18.00 to $22.40.

The Board of Directors approved an amendment to the 2003 LTIP to revise the peer group used to measure relative performance. The amendment eliminated the mixed office and industrial companies and added certain other "pure office" companies in order to revise the peer group to office sector companies. The Board has also approved the revision of the performance measurement dates for future vesting under the core component of the 2003 LTIP from the anniversary of the date of grant to December 31 of each year. This was done in order to have the performance measurement coincide with the performance period that the Company believes many investors use to judge the performance of the Company.

On December 27, 2004, the Operating Partnership entered into definitive agreements with certain executive and senior officers of the Company to revise their incentive awards under the 2003 LTIP. The revised agreements provide for (i) the rescission of the unvested portion of their core awards and (ii) an award in exchange for the rescinded core awards of an equal number of units of a new class of limited partnership interests ("LTIP Units") of the Operating Partnership.

Each executive and senior officer participating in the 2003 LTIP was offered the option to retain all or a portion of his core awards or to rescind them in exchange for new awards of LTIP Units. On December 27, 2004, certain executive and senior officers accepted such offer and thereby amended their Amended and Restated Long-Term Incentive Award Agreement to cancel, in the aggregate, 362,500 shares of restricted stock of the Company representing all or a portion of their unvested core award, and received an equal number of LTIP Units.

The revised awards under the 2003 LTIP were designed to provide the potential for executives to retain a greater equity interest in the Company by eliminating the need for executives to sell a portion of the core awards immediately upon vesting in order to satisfy personal income taxes which are due upon vesting under the original core awards.

With respect to the 2003 LTIP, the Company met its annual performance measure with respect to the 2005, 2004 and 2003 annual measurement periods, respectively. As a result, the Company issued to the participants of the 2003 LTIP 86,111, 102,779 and 206,944 shares of its common stock, respectively, related to the core component of the 2003 LTIP.

The terms of each award of LTIP Units are substantially similar to those of the core awards under the 2003 LTIP. The vesting, performance hurdles and timing for vesting remain unchanged. However, an LTIP Unit represents an equity interest in the Operating Partnership, rather than the Company. At issuance, the LTIP Unit has no value but may over time accrete to a value equal to (but never greater than) the value of one share of common stock of the Company (a "REIT Share"). Initially, LTIP Units will not have full parity with OP Units with respect to liquidating distributions. Upon the occurrence of certain "triggering events" (such as the issuance of additional OP Units by the Operating Partnership), the Operating Partnership will revalue its assets for the purpose of the capital accounts of its partners and any increase in valuation of the Operating Partnership's assets from the date of the issuance of the LTIP Units through the "triggering event" will be allocated to the capital accounts of holders of LTIP Units until their capital accounts are equivalent to the capital accounts of holders of OP Units. If such equivalence is reached, LTIP Units would achieve full parity with OP Units for all purposes, and therefore accrete to an economic value equivalent to REIT Shares on a one-for-one basis. In addition, if such parity is reached, vested LTIP Units may only be converted into an equal number of OP Units after two years from the date of grant. However, in the absence of an increase in the value of the assets of the Operating Partnership and the occurrence of "triggering events", such economic equivalence would not be reached. Until and unless such economic equivalence is reached, the value that the officers will realize for vested LTIP Units will be less than the value of an equal number of REIT Shares. In addition, LTIP Units are subject to specific performance related vesting requirements. In addition, unlike core awards under the 2003 LTIP (wherein dividends that accumulate are paid upon vesting), LTIP Units will receive the same quarterly distributions as OP Units on a current basis, thus providing full dividend equivalence with REIT Shares. Each LTIP Unit awarded is deemed equivalent to an award of one share of common stock reserved under one of the Company's stock option plans, reducing availability for other equity awards on a one-for-one basis. At the scheduled March 2005 vesting date, the specified performance hurdles were met, and officers that received LTIP Units received a one-time cash payment that represented payment of the full vested amount of the accrued unpaid dividends under the core award of the 2003 LTIP through December 27, 2004, the issuance date of the LTIP Units. In addition, the officers, in the aggregate, vested in 104,167 LTIP Units. At the scheduled March 2006 vesting date, the specified performance hurdles were met and officers that received LTIP Units, in the aggregate, vested in 120,833 LTIP Units. On April 4, 2006 (the "Measurement Date"), as a result of the Company issuing 207,000 LTIP Units (discussed below) a "triggering event" occurred and the Company completed an analysis to determine the increase in the valuation, if any of the Operating Partnership's assets from the issuance of 362,500 LTIP Units on December 27, 2004 through the Measurement Date and with respect to the issuance of 272,100 LTIP Units issued on March 11, 2005 through the Measurement Date. The results of the analysis indicated that a sufficient increase in value to the Operating Partnership's assets was achieved. As a result the aforementioned LTIP Units achieved full parity with an OP Unit. In order to more closely replicate the terms of the core awards being rescinded, the Company also entered into agreements with three executive officers, which provide that in the event of a change of control the executive shall receive the equivalent value of one REIT Share for each LTIP Unit.

For each of the calendar years ended December 31, 2004 and 2005, following the recommendations of the Compensation Committee, eight senior and executive officers of the Company were awarded, in the aggregate, 272,100 LTIP Units and 207,000 LTIP Units, respectively, for outperformance and to continue to incentivize them for the long-term (the "Restricted Equity Awards"). Initially, the terms of the Restricted Equity Awards were generally consistent with the terms of the 2003 LTIP, including with respect to the impact upon vesting in the event of a change of control. On June 12, 2006, with respect to the 2005 Restricted Equity Awards, the vesting periods were extended so that they will vest over a four-year period in lieu of a two-year period, provided that the officer remains in continuous employment with the Company until such dates and the Company has achieved certain specified performance requirements during the year ending December 31, 2006. If the performance requirements are not met in 2006, the awards will become vested on any subsequent annual vesting date on which the performance requirements are met on a cumulative and compounded basis. In addition, with respect to the 2004 Restricted Equity Award to Scott Rechler, the Company's Chief Executive Officer, was similarly extended provided that Mr. Rechler remains in continuous employment with the Company.

As a result of the foregoing, there remains 69,443 shares of common stock reserved for future issuance under the core award of the 2003 LTIP and 616,600 shares of common stock reserved for issuance with respect to the issuance of LTIP Units. With respect to the core award of the 2003 LTIP, the Company recorded approximately $305,000 and $610,000 of compensation expense for each of the three and six month periods ended June 30, 2006 and 2005, respectively. In addition, with respect to the LTIP Units and the Restricted Equity Awards, the Company recorded compensation expense of approximately $941,000 and $1.8 million and $822,000 and $1.3 million, respectively, for the three and six month periods ended June 30, 2006 and 2005. Such amounts have been included in marketing, general and administrative expenses on the accompanying consolidated statements of income. Based on the terms of the 2003 LTIP, potential outcomes of the Special Outperformance Pool are estimated to range from $0, assuming the requisite four year cumulative performance measures are not met, to a maximum of approximately $35.7 million, assuming relative peer group performance measures are met and a cap of 15% cumulative and compounded return on common equity. As of June 30, 2006, we have accrued approximately $29.4 million of compensation expense with respect to the Special Outperformance Pool of which $2.2 million and $5.9 million was accrued during the three months ended June 30, 2006. This amount is calculated on the closing stock price of the Company's common stock on June 30, 2006 and is based on management's determination of the probability of requisite performance measures being met. The accrual represents approximately 82% of the total estimated Special Outperformance Pool reflecting the service period through June 30, 2006.

Compensation expense with respect to the core component of the 2003 LTIP, which relates to the Company attaining certain annual performance measures, is recognized as a "target stock price" plan. Under this type of plan, compensation expense is recognized for the target stock price awards whether or not the targeted stock price condition is achieved as long as the underlying service conditions are achieved. Accordingly, we obtained an independent third party valuation of the 2003 LTIP awards and recognize compensation expense on a straight-line basis through the performance and vesting period for awards to employees who remain in service over the requisite period regardless of whether the target stock price has been reached.

Compensation expense with respect to the core component of the 2003 LTIP, which relates to the continued service of the grantee, is recognized as compensation expense on a straight-line basis through the vesting period based on the fair market value of the stock on the date of grant.

As a result of the election of certain executive and senior officers to exchange all or a portion of their unvested core awards under the 2003 LTIP into an equal number of LTIP Units we again obtained an independent third party valuation of the newly granted LTIP Units and determined that the fair value of the LTIP Units was not greater than the exchanged 2003 LTIP awards on the date of the exchange. As such, compensation expense to be recognized, on a straight-lined basis, over the vesting period of the LTIP Units equals the amount of unamortized compensation expense cost for the 2003 LTIP awards as of the exchange date.

On January 1, 2006, we adopted Statement No. 123R and have determined that the adoption of Statement No. 123R did not have a material impact on our consolidated financial statements.

Nine of our office properties, which were acquired by the issuance of OP Units, are subject to agreements limiting our ability to transfer them prior to agreed upon dates without the consent of the limited partner who transferred the respective property to us. In the event we transfer any of these properties prior to the expiration of these limitations, we may be required to make a payment relating to taxes incurred by the limited partner. These limitations expire between 2011 and 2015.

Two of our office properties that are held in joint ventures 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, rights of first offer, and buy / sell provisions.

Under various Federal, state and local laws, ordinances and regulations, an owner of real estate is liable for the costs of removal or remediation of certain hazardous or toxic substances on or in such property. These laws often impose such liability without regard to whether the owner knew of, or was responsible for, the presence of such hazardous or toxic substances. The cost of any required remediation and the owner’s liability therefore as to any property is generally not limited under such enactments and could exceed the value of the property and/or the aggregate assets of the owner. The presence of such substances, or the failure to properly remediate such substances, may adversely affect the owner’s ability to sell or rent such property or to borrow using such property as collateral. Persons who arrange for the disposal or treatment of hazardous or toxic substances may also be liable for the costs of removal or remediation of such substances at a disposal or treatment facility, whether or not such facility is owned or operated by such person. Certain environmental laws govern the removal, encapsulation or disturbance of asbestos-containing materials (“ACMs”) when such materials are in poor condition, or in the event of renovation or demolition. Such laws impose liability for release of ACMs into the air and third parties may seek recovery from owners or operators of real properties for personal injury associated with ACMs. In connection with the ownership (direct or indirect), operation, management and development of real properties, we may be considered an owner or operator of such properties or as having arranged for the disposal or treatment of hazardous or toxic substances and, therefore, potentially liable for removal or remediation costs, as well as certain other related costs, including governmental fines and injuries to persons and property.

All of our properties have been subjected to a Phase I or similar environmental audit (which involved general inspections without soil sampling, ground water analysis or radon testing) completed by independent environmental consultant companies. These environmental audits have not revealed any environmental liability that would have a material adverse effect on our business.

Off Balance Sheet Arrangements

The Operating Partnership has a net investment of approximately $55.2 million in loans and REIT-qualified joint ventures with FrontLine Capital Group (“FrontLine”) and Reckson Strategic Venture Partners, LLC (“RSVP”), a real estate venture capital fund whose common equity is held indirectly by FrontLine (collectively, the “RSVP / FLCG Investments”). Frontline was formed by the Company in 1997. The net carrying value of the RSVP / FLCG Investments was reassessed with no change by management at June 30, 2006 and is included in investments in affiliate loans and joint ventures on our consolidated balance sheets.

FrontLine is in default under the loans from the Operating Partnership and on June 12, 2002, filed a voluntary petition for relief under Chapter 11 of the United States Bankruptcy Code.

The RSVP REIT-qualified joint ventures are managed subject to a management agreement with the former managing directors of RSVP, which expires in September 2006. The management agreement provides for an annual base management fee and disposition fees equal to 2% of the net proceeds received by RSVP on asset sales which are subject to a maximum of $7.5 million. In addition, the former managing directors of RSVP retained a one-third residual interest in RSVP’s assets which is subordinated to the distribution of an aggregate amount of $75.0 million to RSVP and/or us in respect of RSVP-controlled joint ventures.

Scott H. Rechler, our CEO and Chairman of the Board of Directors, serves as CEO and is FrontLine’s sole board member. Mr. Rechler also serves as a member of the management committee of RSVP.

In November 2004, a joint venture in which RSVP owns approximately 47% executed a binding agreement to contribute its Catskills, NY resort properties (excluding residentially zoned land) to Empire Resorts Inc. (NASDAQ: NYNY) (“Empire”) for consideration of 18.0 million shares of Empire’s common stock and the right to appoint five members of their Board of Directors. On December 29, 2005, the agreement was terminated and the joint venture received options to purchase approximately 5.2 million shares of common stock of Empire at a price of $7.50 per share. The options will be exercisable until December 29, 2006. On June 30, 2006, the closing price of a share of Empire’s common stock was $6.95 per share.

We have discontinued the accrual of interest income with respect to the loans from the Operating Partnership and our share of GAAP equity in earnings, if any, from the RSVP-controlled REIT-qualified joint ventures until such income is realized through cash distributions.

In addition to the foregoing, our off-balance sheet arrangements consist of our approximate 5% indirect ownership interest in a joint venture that owns an investment in a New York City Class A office tower where our share of unconsolidated joint venture debt is approximately $11.7 million with an interest rate of 6.35% per annum and a remaining term of approximately 15 years, our 25% joint venture interest in the Australian JV where our share of unconsolidated joint venture debt is approximately $74.6 million with a weighted average interest rate of 5.3% per annum and a weighted average term of 5.3 years and our 30% joint venture interest in the property located at One Court Square, Long Island City, NY where our share of unconsolidated joint venture debt is $94.5 million with an interest rate of 4.91% per annum and a remaining term of approximately 9.1 years.

Funds from Operations

Funds from Operations (“FFO”) is defined by the National Association of Real Estate Investment Trusts (“NAREIT”) as net income or loss, excluding gains or losses from sales of depreciable properties plus real estate depreciation and amortization, and after adjustments for unconsolidated partnerships and joint ventures. We present FFO because we consider it an important supplemental measure of our operating performance and believe it is frequently used by securities analysts, investors and other interested parties in the evaluation of REITs, many of which present FFO when reporting their results. FFO is intended to exclude GAAP historical cost depreciation and amortization of real estate and related assets, which assumes that the value of real estate diminishes ratably over time. Historically, however, real estate values have risen or fallen with market conditions. As a result, FFO provides a performance measure that, when compared year over year, reflects the impact to operations from trends in occupancy rates, rental rates, operating costs, development activities, interest costs and other matters without the inclusion of depreciation and amortization, providing perspective that may not necessarily be apparent from net income.

We compute FFO in accordance with the standards established by NAREIT. FFO does not represent cash generated from operating activities in accordance with GAAP and is not indicative of cash available to fund cash needs. FFO should not be considered as an alternative to net income as an indicator of our 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, our calculation of FFO presented herein may not be comparable to similarly titled measures as reported by other companies.

The following table presents our FFO calculations (in thousands):

	Three months ended June 30,		Six months ended June 30,	
	2006	2005	2006	2005
Net income	$ 20,392	$ 18,336	$ 79,574	$ 36,389
Adjustments for basic Funds From Operations				
Add:				
Real estate depreciation and amortization	33,505	30,175	65,656	57,488
Minority partners' interests in consolidated partnerships	7,382	6,791	14,616	13,503
Deduct:				
Gains on sales of depreciable real estate	—	—	44,669	—
Amounts distributable to minority partners in consolidated partnerships	6,860	5,478	13,205	11,202
Basic and Diluted Funds From Operations	$ 54,419	$ 49,824	$ 101,972	$ 96,178
Diluted Weighted Average units outstanding	85,758	84,913	85,705	84,845

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 flex 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. We believe that inflationary increases in expenses will be mitigated by contractual rent increases and expense escalations described above. As a result of the impact of the events of September 11, 2001, we have realized increased insurance costs, particularly relating to property and terrorism insurance, and security costs. We have included these costs as part of our escalatable expenses and have billed them to our tenants consistent with the terms of the underlying leases and believe they are collectible. To the extent our properties contain vacant space, we will bear such inflationary increases in expenses.

The Credit Facility and one of our Note Receivable Investments bear interest at variable rates, which will be influenced by changes in short-term interest rates, and are sensitive to inflation.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The primary market risk facing us is interest rate risk on our long-term debt and notes receivable. We do not enter into derivative financial instruments for trading or speculative purposes. However, in the normal course of our business and to help us manage our debt issuances and maturities, we do use derivative financial instruments in the form of cash flow hedges to protect ourselves against potentially rising interest rates. We are not subject to foreign currency risk.

The accounting for changes in the fair value of derivatives depends on the intended use of the derivative and the resulting designation. Derivatives used to hedge the exposure to changes in the fair value of an asset, liability, or firm commitment attributable to a particular risk, such as interest rate risk, are considered fair value hedges. Derivatives used to hedge the exposure to variability in expected future cash flows, or other types of forecasted transactions, are considered cash flow hedges.

As required by Statement No. 133, we record all derivatives on our balance sheet at fair value. For effective hedges, depending on the nature of the hedge, changes in the fair value of the derivative will be offset against the corresponding change in fair value of the hedged asset, liability, or firm commitment through earnings or recognized in OCI on our balance sheet until the hedged item is recognized in earnings.

For derivatives designated as cash flow hedges, the effective portion of changes in the fair value of the derivative is initially reported in OCI and subsequently reclassified to earnings when the hedged transaction affects earnings, and the ineffective portion of changes in the fair value of the derivative is recognized directly in earnings. We assess the effectiveness of each hedging relationship by comparing the changes in fair value or cash flows of the derivative hedging instrument with the changes in fair value or cash flows of the designated hedged item or transaction. For derivatives not designated as hedges, changes in fair value are recognized in earnings.

The fair market value ("FMV") of our long term debt and Note Receivable Investments is estimated based on discounting future cash flows at interest rates that we believe reflects the risks associated with long term debt and notes receivable of similar risk and duration.

The following table sets forth our long-term debt obligations by scheduled principal cash flow payments and maturity date, weighted average interest rates and estimated FMV at June 30, 2006 (dollars in thousands):

	For the Year Ending December 31,							
	2006	2007	2008	2009	2010	Thereafter	Total (1)	FMV
Long term debt:								
Fixed rate	$ 45,631	$ 269,048	$ 7,370	$ 307,028	$ 354,270	$ 806,671	$ 1,790,018	$ 1,830,908
Weighted average interest rate	7.97%	7.13%	7.22%	7.71%	4.33%	4.00%	5.29%	
Variable rate	$ —	$ —	$ 92,000	$ —	$ —	$ —	$ 92,000	$ 92,000
Weighted average interest rate	—	—	5.86%	—	—	—	5.86%	

(1) Includes aggregate unamortized issuance discounts of approximately $7.6 million on the senior unsecured notes which are due at maturity.

In addition, we have assessed the market risk for our variable rate debt, which is based upon LIBOR, and believe that a one percent increase in the LIBOR rate would have a $920,000 annual increase in interest expense based on $92.0 million of variable rate debt outstanding at June 30, 2006.

The following table sets forth our Note Receivable Investments by scheduled maturity date, weighted average interest rates and estimated FMV at June 30, 2006 (dollars in thousands):

	For the Year Ending December 31,							
	2006	2007	2008	2009	2010	Thereafter	Total (1)	FMV
Note Receivable Investments:								
Fixed rate	$ —	$ 40,000	$ 14,188	$ 25,000	$ 9,031	$ 96,760(2)	$ 184,979	$ 184,912(2)
Weighted average interest rate	—	16.25%	15.29%	17.50%	9.17%	9.00%	12.21%	
Variable rate	$ —	$ —	$ —	$ 500	$ —	$ —	$ 500	$ 500
Weighted average interest rate	—	—	—	5.35%	—%	—	5.35%	

(1) Excludes interest receivables and unamortized acquisition costs aggregating approximately $5.5 million.

(2) Our investment balance, with respect to a participating loan investment, includes approximately $21.2 million of accretive interest which is due at maturity. The FMV calculation considers only accretive interest recorded through June 30, 2006.

In addition, we have assessed the market risk for our variable rate receivables, which are based upon LIBOR, and believe that a one percent increase in the LIBOR rate would have an approximate $5,000 annual increase in interest income based on a $500,000 variable rate note receivable outstanding at June 30, 2006.

ITEM 4. CONTROLS AND PROCEDURES

We maintain disclosure controls and procedures designed to ensure that information required to be disclosed in our filings under the Securities Exchange Act of 1934 is reported within the time periods specified in the SEC's rules and forms. In this regard, we have formed a Disclosure Committee currently comprised of all of our executive officers as well as certain other members of our senior management with knowledge of information that may be considered in the SEC reporting process. The Committee has responsibility for the development and assessment of the financial and non-financial information to be included in the reports filed by us with the SEC and supports our Chief Executive Officer and Chief Financial Officer in connection with their certifications contained in our SEC reports. The Committee meets regularly and reports to the Audit Committee on a quarterly or more frequent basis. Our Chief Executive Officer and Chief Financial Officer have evaluated, with the participation of our senior management, our disclosure controls and procedures as of the end of the period covered by this Quarterly Report on Form 10-Q. Based upon the evaluation, our Chief Executive Officer and Chief Financial Officer concluded that such disclosure controls and procedures are effective.

There were no changes in our internal control over financial reporting that occurred during our most recent fiscal quarter that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

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SELECTED PORTFOLIO INFORMATION

The following table sets forth our schedule of top 25 tenants based on base rental revenue as of July 1, 2006:

Tenant Name [(1)] [(2)]	Wtd. Avg Term Remaining (years)	Total Square Feet	Percent of Pro Rata Share of Annualized Base Rental Revenue
*Citigroup / Citibank	12.1	1,988,060	4.2%
*Debevoise & Plimpton	15.5	586,528	3.6%
D.E. Shaw	7.5	192,837	2.3%
Amerada Hess Corporation	15.6	180,822	2.0%
*Schering-Plough Corporation	0.4	152,970	1.8%
King & Spalding	7.5	148,675	1.7%
*Schulte Roth & Zabel	14.4	279,746	1.6%
*Verizon Communications Inc.	1.4	271,384	1.5%
*American Express	7.8	125,305	1.5%
*Bank of America / Fleet Bank	4.4	199,089	1.4%
County of Nassau	15.3	219,066	1.4%
*MCI	4.2	180,305	1.2%
*Fuji Photo Film USA	6.2	194,984	1.2%
Westpoint Stevens	0.5	86,800	1.0%
Arrow Electronics Inc.	7.5	163,762	1.0%
Dun & Bradstreet Corp.	6.3	123,000	1.0%
Westdeutsche Landesbank	9.8	53,000	0.9%
*Banque Nationale De Paris	10.1	145,834	0.8%
Washington Mutual	0.7	127,465	0.8%
*JP Morgan Chase	5.4	88,060	0.8%
North Fork Bank	12.5	126,770	0.8%
Practicing Law Institute	7.7	77,500	0.8%
*HQ Global	4.5	193,414	0.8%
Vytra Healthcare	1.5	105,613	0.8%
*Draft Worldwide Inc.	7.4	141,260	0.7%

(1) Ranked by pro-rata share of annualized base rental revenue adjusted for pro rata share of joint venture interests.

(2) Total square footage is based on currently leased space and excludes expansions or leases with future start dates.

* Part or all of space occupied by tenant is in a joint venture building.

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Historical Non-Incremental Revenue-Generating Capital Expenditures, Tenant Improvement Costs and Leasing Commissions

The following table sets forth annual and per square foot non-incremental revenue-generating capital expenditures in which we paid or accrued, during the respective periods, to retain revenues attributable to existing leased space (at 100% of cost) for the years 2002 through 2005 and for the six month period ended June 30, 2006 for our consolidated office and industrial / flex properties:

	2002	2003	2004	2005	Average 2002-2005	YTD 2006
Suburban Office Properties						
Total	$ 5,283,674	$ 6,791,336	$ 7,034,054	$ 8,402,936	$ 6,878,000	$ 4,539,844
Per Square Foot	$ 0.53	$ 0.67	$ 0.69	$ 0.78(2)(3)	$ 0.67	$ 0.40(5)
NYC Office Properties						
Total	$ 1,939,111	$ 1,922,209	$ 2,515,730	$ 2,017,360	$ 2,098,603	$ 1,319,682
Per Square Foot	$ 0.56	$ 0.55	$ 0.56	$ 0.42(4)	$ 0.52	$ 0.32(4)
Flex / Industrial Properties						
Total	$ 1,881,627	$ 1,218,401(1)	$ 207,028	$ 38,723(2)	$ 836,445	$ 11,344
Per Square Foot	$ 0.28	$ 0.23	$ 0.23	$ 0.05	$ 0.20	$ 0.03

(1) Excludes non-incremental capital expenditures of $435,140 incurred during the fourth quarter of 2003 for the industrial properties which were sold during the period.

(2) Includes costs related to the 17 properties sold to the Australian JV on September 21, 2005.

(3) Per square foot calculations for suburban submarkets-office properties exclude 68 South Service Road and the Eastridge Portfolio.

(4) Per square foot calculations, for NYC office properties, exclude One Court Square, a 1,401,609 square foot, triple net leased building in Long Island City, New York.

(5) Per square foot calculations for suburban office properties exclude 68 South Service Road, a building that was recently placed in service.

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The following table sets forth annual and per square foot non-incremental revenue-generating tenant improvement costs and leasing commissions (at 100% of cost) which we committed to perform, during the respective periods, to retain revenues attributable to existing leased space for the years 2002 through 2005 and for the six month period ended June 30, 2006 for our consolidated office and industrial / flex properties:

	2002	2003	2004	2005	Average 2002-2005	YTD 2006	New	Renewal
Long Island Office Properties								
Tenant Improvements	$ 1,917,466	$ 3,774,722	$ 4,856,604	$ 4,768,833	$ 3,829,406	$ 1,409,801	$ 1,121,068	$ 288,733
Per Square Foot Improved	$ 7.81	$ 7.05	$ 8.78	$ 11.25	$ 8.72	$ 13.72	$ 21.23	$ 5.78
Leasing Commissions	$ 1,026,970	$ 2,623,245	$ 2,345,325	$ 1,546,354	$ 1.885,474	$ 598,802	$ 306,250	$ 292,552
Per Square Foot Leased	$ 4.18	$ 4.90	$ 4.24	$ 3.65	$ 4.24	$ 5.83	$ 5.80	$ 5.86
Total Per Square Foot	$ 11.99	$ 11.95	$ 13.02	$ 14.90	$ 12.96	$ 19.55	$ 27.03	$ 11.64
Westchester Office Properties								
Tenant Improvements	$ 6,391,589[1]	$ 3,732,370	$ 6,323,134	$ 5,296,662	$ 5,435,939	$ 3,788,661	$ 1,444,490	$ 2,344,171
Per Square Foot Improved	$ 15.05	$ 15.98	$ 11.95	$ 12.37	$ 13.84	$ 11.45	$ 22.40	$ 8.80
Leasing Commissions	$ 1,975,850[1]	$ 917,487	$ 2,671,548	$ 1,923,552	$ 1,872,109	$ 1,528,326	$ 483,171	$ 1,045,155
Per Square Foot Leased	$ 4.65	$ 3.93	$ 5.05	$ 4.49	$ 4.53	$ 4.62	$ 7.49	$ 3.93
Total Per Square Foot	$ 19.70	$ 19.91	$ 17.00	$ 16.86	$ 18.37	$ 16.07	$ 29.89	$ 12.73
Connecticut Office Properties								
Tenant Improvements	$ 491,435	$ 588,087	$ 3,051,833	$ 3,895,369	$ 2,006,681	$ 3,288,712	$ 2,755,883	$ 532,829
Per Square Foot Improved	$ 3.81	$ 8.44	$ 12.71	$ 11.86	$ 9.20	$ 19.29	$ 32.64	$ 6.19
Leasing Commissions	$ 307,023	$ 511,360	$ 1,493,664	$ 1,819,504	$ 1,032,888	$ 1,225,212	$ 1,086,500	$ 138,712
Per Square Foot Leased	$ 2.38	$ 7.34	$ 6.22	$ 5.54	$ 5.37	$ 7.19	$ 12.87	$ 1.61
Total Per Square Foot	$ 6.19	$ 15.78	$ 18.93	$ 17.40	$ 14.57	$ 26.48	$ 45.51	$ 7.80
New Jersey Office Properties								
Tenant Improvements	$ 2,842,521	$ 4,327,295	$ 1,379,362	$ 2,421,779	$ 2,742,739	$ 2,762,533	$ 1,847,668	$ 914,865
Per Square Foot Improved	$ 10.76	$ 11.57	$ 7.12	$ 15.49	$ 11.24	$ 11.56	$ 13.34	$ 9.10
Leasing Commissions	$ 1,037,012	$ 1,892,635	$ 832,658	$ 1,394,470	$ 1,289,194	$ 1,902,200	$ 964,279	$ 937,921
Per Square Foot Leased	$ 3.92	$ 5.06	$ 4.30	$ 8.92	$ 5.55	$ 7.96	$ 6.97	$ 9.33
Total Per Square Foot	$ 14.68	$ 16.63	$ 11.42	$ 24.41	$ 16.79	$ 19.52	$ 20.31	$ 18.43
Total Suburban Markets - Office Properties								
Tenant Improvements	$ 11,643,011	$ 12,422,474	$ 15,610,933	$ 16,382,643	$ 14,014,765	$ 11,249,707	$ 7,169,109	$ 4,080,598
Per Square Foot Improved	$ 10.95	$ 10.24	$ 10.30	$ 12.25	$ 10.48	$ 13.34	$ 21.07	$ 8.11
Leasing Commissions	$ 4,346,855	$ 5,944,728	$ 7,343,194	$ 6,683,880	$ 6,079,664	$ 5,254,540	$ 2,840,200	$ 2,414,340
Per Square Foot Leased	$ 4.09	$ 4.90	$ 4.84	$ 5.00	$ 4.55	$ 6.23	$ 8.35	$ 4.80
Total Per Square Foot	$ 15.04	$ 15.14	$ 15.14	$ 17.25	$ 15.03	$ 19.57	$ 29.42	$ 12.91
New York City Office Properties								
Tenant Improvements	$ 4,350,106	$ 5,810,017[2][3]	$ 9,809,822[3][4]	$ 10,648,442[2][4]	$ 7,654,597	$ 2,341,897[5]	$ 2,315,161[5]	$ 26,736
Per Square Foot Improved	$ 18.39	$ 32.84	$ 23.21	$ 28.20	$ 25.66	$ 36.86	$ 41.77	$ 3.29
Leasing Commissions	$ 2,019,837	$ 2,950,330[2]	$ 3,041,141[4]	$ 4,418,706[2][4]	$ 3,107,504	$ 1,019,877[5]	$ 1,002,265[5]	$ 17,612
Per Square Foot Leased	$ 8.54	$ 16.68	$ 7.19	$ 11.70	$ 11.03	$ 16.05	$ 18.08	$ 2.17
Total Per Square Foot	$ 26.93	$ 49.52	$ 30.40	$ 39.90	$ 36.69	$ 52.91	$ 59.85	$ 5.46
Industrial / Flex Properties								
Tenant Improvements	$ 1,850,812	$ 1,249,200	$ 310,522	$ 112,781	$ 880,829	$ 0.00	$ 0.00	$ 0.00
Per Square Foot Improved	$ 1.97	$ 2.42	$ 2.27	$ 2.46	$ 2.28	$ 0.00	$ 0.00	$ 0.00
Leasing Commissions	$ 890,688	$ 574,256	$ 508,198	$ 65,740	$ 509,720	$ 0.00	$ 0.00	$ 0.00
Per Square Foot Leased	$ 0.95	$ 1.11	$ 3.71	$ 1.43	$ 1.80	$ 0.00	$ 0.00	$ 0.00
Total Per Square Foot	$ 2.92	$ 3.53	$ 5.98	$ 3.89	$ 4.08	$ 0.00	$ 0.00	$ 0.00

(1) Excludes tenant improvements and leasing commissions related to a 163,880 square foot leasing transaction with Fuji Photo Film U.S.A. Leasing commissions on this transaction amounted to $5.33 per square foot and tenant improvement allowance amounted to $40.88 per square foot.

(2) Excludes $15.5 million of tenant improvements and $2.2 million of leasing commissions related to a 121,108 square foot lease to Debevoise & Plimpton that was signed during the third quarter of 2003 with a lease commencement date in 2005.

(3) 2003 numbers exclude tenant improvements of $0.2 million for Sandler O'Neil & Partners (7,446 square feet) for expansion space with a lease commencement date in the second quarter of 2004. The tenant improvement allowance is reflected in the 2004 numbers.

(4) Excludes 86,800 square foot WestPoint Stevens early renewal. There were no tenant improvement or leasing costs associated with this transaction. Also excludes $1.4 million of tenant improvements and $1.2 million of leasing commissions related to a 74,293 square foot lease to Harper Collins

Publishers with a lease commencement date in 2006. Also excludes Bank of America retail lease with $0.6 million of tenant improvements and $0.8 million of leasing commissions.

(5) Excludes 133,727 square foot lease to National Hockey League at 1185 Avenue of the Americas. Tenant allowance was granted in the form of a rent concession for the deal.

As noted, incremental revenue-generating tenant improvement costs and leasing commissions are excluded from the tables previously set forth. The historical capital expenditures, tenant improvement costs and leasing commissions previously set forth are not necessarily indicative of future non-incremental revenue-generating capital expenditures or non-incremental revenue-generating tenant improvement costs and leasing commissions that may be incurred to retain revenues on leased space.

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The following table sets forth our components of paid or accrued non-incremental and incremental revenue-generating capital expenditures, tenant improvements and leasing costs for the periods presented as reported on our "Statements of Cash Flows – Investment Activities" contained in our consolidated financial statements (in thousands):

	Six months ended June 30, 2006	Six months ended June 30, 2005
Capital expenditures:		
Non-incremental	$ 3,700	$ 4,864
Incremental	4,732	5,059
Tenant improvements:		
Non-incremental	12,027	11,871
Incremental	9,081	8,697
Additions to commercial real estate properties	$ 29,540	$ 30,491
Leasing costs:		
Non-incremental	$ 6,012	$ 6,833
Incremental	4,526	2,275
Payment of deferred leasing costs	$ 10,538	$ 9,108
Acquisition and development costs	$ 30,780	$ 22,590

The following table sets forth our lease expiration schedule, as adjusted for pre-leased space and inclusive of joint venture interests, at July 1, 2006 for our total portfolio of properties, our office portfolio and our flex portfolio:

Total Portfolio

Year of Expiration	Number of Leases Expiring	Square Feet Expiring	Percentage of Total Portfolio Square Footage	Cumulative Percentage of Total Portfolio Square Footage
2006	128	755,553	3.7%	3.7%
2007	163	1,503,666	7.5%	11.2%
2008	177	1,352,702	6.7%	17.9%
2009	152	1,373,750	6.8%	24.7%
2010	185	2,181,972	10.8%	35.5%
2011 and thereafter	537	11,165,350	55.3%	90.8%
Total/Weighted Average	1,342	18,332,993	90.8%	
Total Portfolio Square Feet		20,190,094		

Office Portfolio

Year of Expiration	Number of Leases Expiring	Square Feet Expiring	Percentage of Total Office Square Footage	Cumulative Percentage of Total Portfolio Square Footage
2006	127	719,494	3.7%	3.7%
2007	160	1,451,144	7.5%	11.2%
2008	175	1,320,459	6.8%	18.0%
2009	151	1,328,769	6.9%	24.9%
2010	182	1,926,276	10.0%	34.9%
2011 and thereafter	528	10,963,204	56.7%	91.6%
Total/Weighted Average	1,323	17,709,346	91.6%	
Total Office Portfolio Square Feet		19,326,702		

Flex Portfolio

Year of Expiration	Number of Leases Expiring	Square Feet Expiring	Percentage of Total Flex Square Footage	Cumulative Percentage of Total Portfolio Square Footage
2006	1	36,059	4.2%	4.2%
2007	3	52,522	6.1%	10.3%
2008	2	32,243	3.7%	14.0%
2009	1	44,981	5.2%	19.2%
2010	3	255,696	29.6%	48.8%
2011 and thereafter	9	202,146	23.4%	72.2%
Total/Weighted Average	19	623,647	72.2%	
Total Flex Portfolio Square Feet		863,392		

Part II - Other Information

Item 1. Legal Proceedings

On or about June 23, 2006, a lawsuit was commenced in the Superior Court of New Jersey, Chancery Division, Morris County, New Jersey against Reckson Associates Realty Corp. and Reckson Operating Partnership, L.P. (collectively "Reckson"), among other parties, in which the plaintiff alleges that Reckson tortiously interfered with the plaintiff's purported right under a non-binding "term sheet" executed between the plaintiff and a former tenant at Three Giralda Farms, Madison, New Jersey (the "Property"), a property owned by Reckson. The plaintiff seeks, among other things, a judgment for damages against Reckson relating to this alleged "tortious interference." The plaintiff also seeks to enjoin Reckson from leasing the Property pending the disposition of the lawsuit, and the Court granted temporary restraints on June 27, 2006, which were continued on July 25, 2006 through August 28, 2006. Reckson has indemnified its former tenant against the claims alleged by plaintiff in the lawsuit. Reckson intends to vigorously contest all of the plaintiff's claims, which it believes to be without merit.

On August 4, 2006, Robert Lowinger filed a purported class action lawsuit in the Supreme Court of the State of New York, Nassau County, on behalf of himself and all other Reckson stockholders against the Company, and its Board of Directors, seeking to enjoin the sale of the Company to SL Green Realty Corp. ("SL Green") and related transactions in which the Reckson Investment Group (consisting of defendant Scott Rechler and certain other members of Reckson's executive management) and Marathon Asset Management will acquire certain assets of the Company from SL Green. Lowinger alleges that in exchange for agreeing to sell the Company to SL Green for a value less than its true value, the Reckson Investment Group was able to acquire valuable Reckson assets on very favorable terms, at the expense of Reckson's stockholders. Lowinger asserts claims of breach of fiduciary duty against Reckson and its directors, and aiding and abetting breach of fiduciary duty against SL Green. Lowinger seeks an injunction prohibiting the transaction (or, in the event the transaction is consummated, an order rescinding it), as well as damages and costs, including plaintiff's attorneys' and experts' fees.

Except as provided above, we are not presently subject to any material litigation nor, to our knowledge, is any litigation threatened against us, 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 our liquidity, results of operations or business or financial condition.

Item 1A. Risk Factors

The announcement of our proposed Merger with SL Green may have a negative effect on our business, financial condition and operating results.

In response to our announcement and the potential uncertainty about our future operating strategy and decisions, tenants may delay, defer or cancel leases or contracts with us, which could negatively affect our revenues and results of operations. In addition, current and prospective employees may experience uncertainty about their future role with the combined company, which may impair our ability to attract and retain key management, development, marketing and other personnel, which could further affect our operating results. Declining results could have negative consequences on our relationships with and obligations to tenants, joint venture partners, creditors and others with whom we have business relationships. A negative impact on operating results could also cause a decline in the Company's stock price.

If we are unable to realize our proposed merger with SL Green, our business, financial condition, operating results and the Company's stock price could suffer.

If the Company's shareholders do not approve the transactions contemplated by the Merger Agreement or we otherwise fail to satisfy the closing conditions to the transaction, we could face adverse consequences, including:

- we would remain liable for significant costs relating to the transaction, including, among others, legal, accounting, financial advisory and financial printing expenses;
- activities relating to the proposed Merger and related uncertainties could divert management's attention from our day-to-day business and disrupt our operations;
- an announcement that we have abandoned the proposed Merger could trigger a decline in the Company's stock price to the extent that the Company's stock price reflects a market assumption that we will complete the Merger;
- we could be required to pay SL Green a termination fee and/or expense reimbursement if the Merger Agreement is terminated under certain circumstances; and
- we may forego alternative business opportunities or fail to respond effectively to competitive pressures.

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The Merger Agreement limits our ability to pursue alternatives to the proposed Merger.

Under the Merger Agreement, we are generally precluded from encouraging or participating in any discussions that could lead to an alternative acquisition proposal. Similarly the Company's Board of Directors is restricted in its ability to withdraw or modify its recommendation that the Company's shareholders approve this Merger. In certain circumstances, the Company's Board of Directors may terminate the Merger Agreement or withdraw or modify its recommendation that the Company's shareholders approve this Merger in order to pursue a proposal that it deems to be superior. In these circumstances, we would be required to pay SL Green a termination fee and expense reimbursement.

The effect of these provisions could be to discourage or prevent a party interested in a possible acquisition of our Company from pursuing an offer to acquire us. The occurrence of these events individually or in combination could have a material adverse effect on our business, financial condition, cash flows and operating results.

Certain restrictive pre-closing covenants in the Merger Agreement may negatively affect our business, financial condition, operating results and cash flows.

Pending completion of the proposed Merger, we have agreed to conduct our business in the ordinary course and consistent with our past practices. We have also agreed to restrictions on the conduct of our business. These restrictions could have a material adverse effect on our business, financial condition, cash flows, operating results and stock price.

Item 2. Unregistered Sales of Equity 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

a) On July 10, 2006, Dr. Edward R. Casas was appointed as an independent director of the Company's Board of Directors. At such time, Dr. Casas also was appointed as a member of the Executive Committee, Nominating and Corporate Governance Committee, the Compensation Committee and Affiliate Transaction Committee of the Board of Directors. There are no arrangements or understandings between Dr. Casas and any other person pursuant to which Dr. Casas was appointed as a director, and neither Dr. Casas nor any member of his immediate family has or had, since the beginning of the Company's last fiscal year, a material interest in any transaction or proposed transaction with the Company.

b) On August 3, 2006, the Company, the Operating Partnership, SL Green Realty Corp. ("Parent"), Wyoming Acquisition Corp. ("Purchaser"), Wyoming Acquisition GP LLC and Wyoming Acquisition Partnership LP entered into an Agreement and Plan of Merger (the "Merger Agreement"). Under the terms of the Merger Agreement, the Company will merge with and into Purchaser (the "Merger"), with Purchaser continuing after the Merger as the surviving entity. At the effective time of the Merger, each of the issued and outstanding shares of common stock of the Company will be converted into the right to receive (i) $31.68 in cash, and (ii) 0.10387 of a share of the common stock, par value $0.01 per share, of Parent (the "Merger Consideration").

   In addition, under the terms of the Merger Agreement, Wyoming Acquisition LP will merge with and into the Operating Partnership (the "Partnership Merger"), with the Operating Partnership continuing after the Partnership Merger as the surviving entity. At the effective time of the Partnership Merger, each common unit in the Operating Partnership will be converted into the right to receive the applicable amount of Merger Consideration, in respect of the number of shares of Reckson common stock issuable upon exchange of each such common unit in accordance with the Amended and Restated Agreement of Limited Partnership of the Operating Partnership as if such common units were converted or exchanged for an equal number of Reckson common shares immediately prior to the effective time of the Merger.

   At the effective time of the Merger, any options which have not been exercised will be cancelled and holders will be paid the Merger Consideration in respect of such options; the exercise price of the options will first be deducted from the cash consideration and then second from the stock consideration, if necessary. All outstanding options are currently vested. Restricted stock, whether or not vested, will be converted into the right to receive the Merger Consideration as if such restricted stock had vested immediately prior to the effective time of the Merger. Restricted stock units, whether or not vested, and LTIP Units, whether or not vested, (other than certain LTIP Units held by Messrs. Rechler, Maturo and Barnett, the vesting and payment rights to which they are waiving pursuant to the Amendments described below) will be converted into the right to receive the Merger Consideration (on a one-for-one basis).

The Company has agreed to certain covenants, including, among others, subject to certain exceptions described in the Merger Agreement, an obligation not to initiate, solicit, encourage or facilitate (including by way of furnishing nonpublic information or assistance) any inquiries or the making of any proposal or other action that constitutes or may reasonably be expected to lead to any competing transaction (as defined in the Merger Agreement) or enter into discussions or negotiate with any person in furtherance of such inquiries or to obtain a competing transaction. Prior to the closing, the Company has agreed to operate its business in the ordinary course consistent with past practice and not to take certain actions specified in the Merger Agreement. The Company will be permitted to pay its regular quarterly dividends through the consummation of the Merger.

Consummation of the Merger is subject to customary conditions, including the approval of the Merger by the holders of the Company's common stock, the registration of SL Green's shares of common stock to be issued in the Merger, the listing of such shares on the New York Stock Exchange and the absence of any order, injunction or legal restraint or prohibition preventing the consummation of the Merger. In addition, each party's obligation to consummate the Merger is subject to certain other conditions, including (i) the accuracy of the representations and warranties of the other party (subject to the materiality standards contained in the Merger Agreement), (ii) compliance in all material respects of the other party with its covenants, (iii) the absence of a material adverse effect (as defined in the Merger Agreement) on the other party and (iv) the delivery of opinions with respect to each other's status as a real estate investment trust.

The Merger Agreement contains certain termination rights for both the Company and SL Green and provides that, upon termination of the Merger Agreement under specified circumstances described in the Merger Agreement, the Company would be required to pay SL Green a termination fee of $99.8 million, and/or that the Company would be required to reimburse SL Green for its out-of-pocket costs and expenses up to $13.0 million.

The Merger Agreement contains representations and warranties that the parties have made to each other as of specific dates. The assertions embodied in those representations and warranties were made solely for purposes of the contract between the parties, and may be subject to important qualifications and limitations agreed to by the parties in connection with negotiating its terms. Moreover, the representations and warranties are subject to a contractual standard of materiality that may be different from what may be viewed as material to shareholders, and the representations and warranties may have been intended not as statements of fact, but rather as a way of allocating risk among the parties.

In connection with the Merger Agreement, Scott Rechler, Michael Maturo, and Jason Barnett each entered into an Agreement to Amend their existing Employment and Noncompetition Agreement and Severance Agreement (the "Amendments"). Pursuant to the Amendments, each executive agreed to: (1) reduce the period of time he will be entitled to receive severance following a termination of employment in connection with a change in control from five years to three years, and to cap the cash severance he is entitled to receive under his existing severance agreement, (2) waive all rights to vesting and payment of certain outstanding long-term incentive awards, (3) further reduce the payments and benefits he is otherwise entitled to receive in connection with a change in control if the total amount of payments and benefits exceed his "safe harbor amount" under the Internal Revenue Code's so-called "golden parachute rules" by 5% or less so that the total change in control-related payments and benefits paid or provided to him will not exceed his safe harbor amount, and (4) not compete with the Company in the acquisition, operation or management of any office real estate property in any of the submarkets in the borough of Manhattan, New York for the period commencing on August 3, 2006 through the earlier of August 3, 2007 or the six-month anniversary of the closing. The parties also agreed to extend the terms of their existing Employment and Noncompetition Agreements and Severance Agreements through April 30, 2007. In addition, the Company agreed to assign certain existing split-dollar life insurance policies to the executives at their request in connection with a change in control of the Company.

c) There have been no material changes to the procedures by which stockholders may recommend nominees to the Company's Board of Directors.

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Item 6. Exhibits

Exhibits

2.1	Agreement and Plan of Merger dated as of August 3, 2006 by and among SL Green Realty Corp., others, the Company and the Operating Partnership.
10.1	Indemnification Agreement, dated July 10, 2006, between the Company and Edward R. Casas.
10.2	Agreement to Amend Employment and Non-competition Agreement and Severance Agreement by and between Scott Rechler and the Company dated August 3, 2006.
10.3	Agreement to Amend Employment and Non-competition Agreement and Severance Agreement by and between Michael Maturo and the Company dated August 3, 2006.
10.4	Agreement to Amend Employment and Non-competition Agreement and Severance Agreement by and between Jason Barnett and the Company dated August 3, 2006.
31.1	Certification of Scott H. Rechler, Chairman of the Board, Chief Executive Officer and Director of the Company, the sole general partner of the Registrant, pursuant to Rule 13a – 14(a) or Rule 15(d) – 14(a).
31.2	Certification of Michael Maturo, President, Treasurer, Chief Financial Officer and Director of the Company, the sole general partner of the Registrant, pursuant to Rule 13a – 14(a) or Rule 15(d) – 14(a).
32.1	Certification of Scott H. Rechler, Chairman of the Board, Chief Executive Officer and Director of the Company, the sole general partner of the Registrant, pursuant to Section 1350 of Chapter 63 of Title 18 of the United States Code.
32.2	Certification of Michael Maturo, President, Treasurer, Chief Financial Officer and Director of the Company, the sole general partner of the Registrant, pursuant to Section 1350 of Chapter 63 of Title 18 of the United States Code.

SIGNATURES

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

RECKSON OPERATING PARTNERSHIP, L.P.

By: /s/ Scott H. Rechler	By: /s/ Michael Maturo
Scott H. Rechler Chairman of the Board, Chief Executive Officer and Director of Reckson Associates Realty Corp., the sole general partner of the Registrant	Michael Maturo President, Treasurer, Chief Financial Officer and Director of Reckson Associates Realty Corp., the sole general partner of the Registrant

DATE: August 14, 2006

PAGE>

Exhibit 2.1

EXECUTION COPY

AGREEMENT AND PLAN OF MERGER

DATED AS OF AUGUST 3, 2006

BY AND AMONG

SL GREEN REALTY CORP.

WYOMING ACQUISITION CORP.,

WYOMING ACQUISITION GP LLC,

WYOMING ACQUISITION PARTNERSHIP LP,

RECKSON ASSOCIATES REALTY CORP.

AND

RECKSON OPERATING PARTNERSHIP, L.P.

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AGREEMENT AND PLAN OF MERGER

This AGREEMENT AND PLAN OF MERGER, dated as of August 3, 2006 (this "AGREEMENT"), by and among SL Green Realty Corp., a Maryland corporation ("PARENT"), Wyoming Acquisition Corp., a Maryland corporation ("PURCHASER"), Wyoming Acquisition GP LLC, a Delaware limited liability company ("WYOMING ACQUISITION GP"), Wyoming Acquisition Partnership LP, a Delaware limited partnership ("WYOMING ACQUISITION LP", and together with Parent, Purchaser and Wyoming Acquisition GP, the "PURCHASER PARTIES"), Reckson Associates Realty Corp., a Maryland corporation ("RECKSON"), and Reckson's operating partnership Reckson Operating Partnership., L.P., a Delaware limited partnership (the "OPERATING PARTNERSHIP").

RECITALS

A. It is proposed that Reckson shall merge with and into Purchaser (the "MERGER") with the Purchaser surviving, pursuant to which each of the issued and outstanding common shares of Reckson, par value $0.01 per share (the "RECKSON COMMON SHARES"), shall be converted into the right to receive the Merger Consideration (as defined herein) upon the terms and subject to the conditions provided herein.

B. It is proposed that Wyoming Acquisition LP shall merge with and into the Operating Partnership (the "PARTNERSHIP MERGER" and, together with the Merger, the "MERGERS"), with the Operating Partnership surviving on the terms and subject to the conditions set forth in this Agreement and in accordance with the Delaware Revised Uniform Limited Partnership Act (the "DRULPA"), pursuant to which, on the terms and subject to the conditions provided herein, each Class A common unit of limited partnership interest in the Operating Partnership and each Class C common unit of limited partnership interest in the Operating Partnership (together "COMMON LP UNITS") shall be converted into the right to receive the Partnership Merger Consideration (as defined herein) and each Series D Preferred Unit of limited partnership interest in the Operating Partnership (the "PREFERRED LP UNITS" and together with the Common LP Units, and the LTIP OP Units, the "LP UNITS") shall remain outstanding in accordance with its terms.

C. A committee of independent directors of the Board of Directors of Reckson (the "RECKSON COMMITTEE") has received the opinion (the "FAIRNESS OPINION") of Goldman Sachs & Co. (the "RECKSON FINANCIAL ADVISORS").

D. Each of the Reckson Committee and the Reckson Board of Directors (the "RECKSON BOARD OF DIRECTORS") has determined that this Agreement, the Merger, and the other transactions contemplated hereby, taken together, are fair to, advisable and in the best interests of Reckson and the holders of Reckson Common Shares (the "RECKSON COMMON SHAREHOLDERS").

E. Reckson, as the general partner of the Operating Partnership, has determined that this Agreement, the Partnership Merger, and the other transactions contemplated hereby, taken together, are fair to, advisable and in the best interests of the Operating Partnership, the holders of the Common LP Units (the "OPERATING PARTNERSHIP COMMON UNITHOLDERS") and the holders of the Preferred LP Units (the "OPERATING PARTNERSHIP PREFERRED UNITHOLDERS" and, together with the Operating Partnership Common Unitholders, the "OPERATING PARTNERSHIP UNITHOLDERS").

F. Parent, Purchaser, and Wyoming Acquisition GP in its capacity as general partner of Wyoming Acquisition LP, each have approved this Agreement, the Merger and the Partnership Merger, as applicable, and the other transactions contemplated hereby.

AGREEMENT

NOW, THEREFORE, in consideration of the foregoing and the mutual covenants and agreements herein contained, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, and subject to the terms and conditions hereof, and intending to be legally bound hereby, Reckson, the Operating Partnership, and the Purchaser Parties hereby agree as follows:

ARTICLE I

MERGER

Section 1.1. The Mergers. (a) Upon the terms and subject to the conditions of this Agreement and in accordance with Subtitle 1 of Title 3 of the MGCL (as defined herein), at the Effective Time, Reckson shall merge with and into Purchaser. Following the Merger, the separate corporate existence of Reckson shall cease and the Purchaser shall continue as the surviving entity (the "SURVIVING COMPANY") in accordance with the MGCL. The Merger shall have the effects set forth in Section 3-114 of the MGCL and this Agreement. Without limiting the generality of the foregoing, and subject thereto, at the Effective Time, all of the property, rights, privileges and powers of Reckson and Purchaser will vest in the Surviving Company, and all of the debts, Liabilities and duties of Reckson and Purchaser will become the debts, Liabilities and duties of the Surviving Company.

(b) Upon the terms and subject to the conditions set forth in this Agreement, at the Partnership Merger Effective Time (as defined herein), Wyoming Acquisition LP shall be merged with and into the Operating Partnership in accordance with the DRULPA, and the separate existence of Wyoming Acquisition LP shall cease and the Operating Partnership shall continue as the surviving partnership (the "SURVIVING PARTNERSHIP"), with the Surviving Company remaining as the general partner of the Surviving Partnership. The Partnership Merger shall have the effects set forth in Section 17-211 of DRULPA and this Agreement. Without limiting the generality of the foregoing, and subject thereto, at the Partnership Merger Effective Time, all of the property, rights, privileges and powers of the Operating Partnership and Wyoming Acquisition LP will vest in the Surviving Partnership, and all of the debts, Liabilities and duties of the Operating Partnership and Wyoming Acquisition LP will become the debts, Liabilities and duties of the Surviving Partnership. The Operating Partnership Agreement of the Operating Partnership shall be the operating partnership agreement of the Surviving Partnership, until thereafter amended in accordance with applicable law and the terms thereof.

Section 1.2. Closing. The closing of the Mergers (the "CLOSING") will take place at 10:00 a.m., local time, as promptly as practicable but in no event earlier than the later to occur of (a) January 2, 2007 or (b) the third (3rd) Business Day after the satisfaction or waiver of all of the conditions (other than those conditions that by their nature are to be satisfied by actions taken at Closing, but subject to the fulfillment or waiver of those conditions) set forth in Article VI (the "CLOSING DATE"), at the offices of Wachtell, Lipton, Rosen & Katz, 51 West 52nd Street, New York, New York 10019, unless another date or place is agreed to in writing by the parties.

Section 1.3. Effective Times. (a) Subject to the provisions of this Agreement, as soon as reasonably practicable on the Closing Date, the parties shall file with the State Department of Assessments and Taxation of Maryland (the "MARYLAND DEPARTMENT") the articles of merger or other appropriate documents (the "ARTICLES OF MERGER") in such form as is required by, and executed in accordance with, the relevant provisions of the MGCL and make all other filings, recordings or publications required under the MGCL in connection with the Merger. The Merger shall become effective at the time of the filing of the Articles of Merger with, and acceptance for record of such Articles of Merger by, the Maryland Department in accordance with the MGCL, or at such other time as the parties shall agree as specified in such filings in accordance with applicable Law (the "EFFECTIVE TIME").

(b) Subject to the provisions of this Agreement, as soon as reasonably practicable on the Closing Date, the parties shall file with the Delaware Secretary of State the certificate of merger or other appropriate documents (the "PARTNERSHIP CERTIFICATE OF MERGER") in such form as is required by, and executed in accordance with, the relevant provisions of DRULPA and make all other filings, recordings or publications required under DRULPA in connection with the Partnership Merger. The Partnership Merger shall become effective at the time of the filing of the Partnership Certificate of Merger with, and acceptance for record of such Partnership Certificate of Merger by, the Delaware Secretary of State in accordance with DRULPA, or at such other time as the parties shall agree as specified in such filings in accordance with applicable Law (the "PARTNERSHIP MERGER EFFECTIVE TIME"), it being understood that the parties shall cause the Partnership Merger Effective Time to occur on the Closing Date prior to the Effective Time.

Section 1.4. Merger Consideration. (a) At the Effective Time, by virtue of the Merger and without any further action on the part of Parent, Purchaser, Reckson or the Reckson Common Shareholders, each Reckson Common Share issued and outstanding immediately prior to the Effective Time that is owned by any wholly-owned Subsidiary (as defined herein) of Reckson, Parent or any Subsidiary of Parent (other than, in each case, shares in trust accounts, managed accounts, custodial accounts and the like that are beneficially owned by third parties) shall automatically be cancelled and retired and cease to exist, and no payment shall be made with respect thereto.

(b) At the Effective Time, by virtue of the Merger and without any further action on the part of Parent, Purchaser, Reckson or the Reckson Common Shareholders, each Reckson Common Share issued and outstanding immediately prior to the Effective Time, other than Reckson Common Shares that are cancelled pursuant to Section 1.4(a), automatically shall be converted into the right to receive (i) an amount in cash equal to the sum of (A) $31.68 per share and (B) an amount in cash equal to the Prorated Dividend (such sum being referred to as the "CASH CONSIDERATION") and (ii) 0.10387 (the "EXCHANGE RATIO") of a share of the common stock, par value $0.01 per share, of Parent (the "PARENT COMMON STOCK"), subject to adjustment as provided in Section 1.4(d) (the "STOCK CONSIDERATION" and, together with the Cash Consideration, the "MERGER CONSIDERATION"). All such Reckson Common Shares, when so converted, shall no longer be outstanding and automatically shall be canceled and retired and shall cease to exist, and each holder of a Common Share Certificate (as defined herein) shall cease to have any rights with respect thereto, except the right to receive the Merger Consideration to be paid in consideration therefor upon the surrender of such Common Share Certificates in accordance with Section 2.1, without interest, together with the right, if any, to receive pursuant to Section 2.1(l) cash in lieu of fractional shares of Parent Common Stock into which such Reckson Common Shares have been converted pursuant to this Section 1.4(b) and the amounts, if any, payable pursuant to Section 2.1(b)(iv), Section 1.10 and Section 1.11.

(c) At the Effective Time, by virtue of the Merger and without any further action on the part of Purchaser, Reckson or the Reckson Common Shareholders, each share of common stock of Purchaser issued and outstanding immediately prior to the Effective Time shall automatically be converted into and be exchanged for one newly and validly issued, fully paid and nonassessable share of common stock of the Surviving Company.

(d) If prior to the Effective Time, Reckson should split, combine or otherwise reclassify the Reckson Common Shares, or make a distribution in Reckson Common Shares, or otherwise change the Reckson Common Shares into any other securities, or make or pay any other dividend or distribution (other than the dividends expressly permitted pursuant to Section 4.1(b) and other than pursuant to Section 1.10 or Section 1.11) in respect of the Reckson Common Shares, then (without limiting any other rights of Parent or Purchaser hereunder), the Merger Consideration shall be ratably adjusted. If prior to the Effective Time Parent should split, combine or otherwise reclassify the Parent Common Stock, or make a distribution in Parent Common Stock, or otherwise change the Parent Common Stock into other securities, or make or pay any other dividend or distribution (other than dividends expressly permitted pursuant to Section 4.2(b)), the Exchange Ratio shall be ratably adjusted. In the event that either Reckson or Parent shall declare or pay any dividend or distribution, other than the regular quarterly cash dividends otherwise permitted hereunder and other than pursuant to Section 1.10 or Section 1.11, including for the purpose of maintaining its status as a REIT or of eliminating any U.S. federal income or excise Taxes otherwise payable, the Cash Consideration shall be adjusted as described below. In the event of such a dividend or distribution by Reckson, the Cash Consideration per share shall be reduced by the per share amount of such dividend or distribution. In the event of such a dividend or distribution by Parent, the Cash Consideration per share shall be increased by the product of the Exchange Ratio and the amount of such dividend or distribution.

Section 1.5. Partnership Merger Consideration. (a) Immediately prior to the Partnership Merger Effective Time, each outstanding LTIP OP Unit shall vest in full.

(b) At the Partnership Merger Effective Time, by virtue of the Partnership Merger and without any further action on the part of Wyoming Acquisition GP, Wyoming Acquisition LP, Reckson, the Operating Partnership or the Operating Partnership Unitholders, each Common LP Unit issued and outstanding immediately prior to the Partnership Merger Effective Time (including each Common LP Unit owned by Reckson) and each LTIP OP Unit (including those units vested pursuant to Section 1.5(a)) automatically shall be converted into the right to receive the applicable amount of Merger Consideration (the "PARTNERSHIP MERGER CONSIDERATION"), in respect of the number of Reckson Common Shares issuable upon exchange of each such Common LP Unit and LTIP OP Unit in accordance with the Amended and Restated Agreement of Limited Partnership of the Operating Partnership (the "OPERATING PARTNERSHIP AGREEMENT") as if such Common LP Units and LTIP OP Units were converted or exchanged for an equal number of Reckson Common Shares immediately prior to the Partnership Merger Effective Time, in each case, together with the amounts payable in respect of fractional shares in accordance with Section 2.1(l) and dividends and distributions in accordance with Section 2.1(c)(iv), Section 1.10 and Section 1.11.

(c) At the Partnership Merger Effective Time, by virtue of the Partnership Merger and without any further action on the part of Wyoming Acquisition GP, Wyoming Acquisition LP, Reckson, the Operating Partnership or the Operating Partnership Unitholders, each Preferred LP Unit issued and outstanding immediately prior to the Partnership Merger Effective Time shall remain outstanding in accordance with its terms. In the event that immediately prior to the Effective Time, there are no Preferred LP Units issued and outstanding, the parties shall cooperate to issue a new class of preferred limited partnership interests in the Operating Partnership to Parent or its designee on mutually acceptable terms immediately prior to the Effective Time in order to maintain the status of the Operating Partnership as a partnership under applicable Delaware law.

(d) At the Partnership Merger Effective Time, by virtue of the Partnership Merger and without any further action on the part of Wyoming Acquisition GP, Wyoming Acquisition LP, Reckson, the Operating Partnership or the Operating Partnership Unitholders, the general partnership interest of the Operating Partnership shall remain outstanding and constitute the only outstanding general partnership interest in the Surviving Partnership.

Section 1.6. Organizational Documents. (a) At the Effective Time, (i) the charter of the Surviving Company shall be amended in its entirety to read as the charter of Purchaser, as in effect immediately before the Effective Time, except that at the Effective Time, Article I thereof shall be amended to read as follows: "The name of the Corporation is Reckson Associates Realty Corp." and (ii) the bylaws of the Surviving Company shall be amended in their entirety to read as the bylaws of Purchaser, as in effect immediately before the Effective Time. Such charter and bylaws shall not be inconsistent with Section 5.9. (b) Following the Partnership Merger Effective Time, the certificate of limited partnership of the Operating Partnership shall continue to be the certificate of limited partnership of the Surviving Partnership until further amended in accordance with DRULPA.

Section 1.7. Directors and Officers of the Surviving Company. The directors of Purchaser immediately prior to the Effective Time shall be elected as the initial directors of the Surviving Company, each to hold office in accordance with the charter and bylaws of the Surviving Company. The officers of Purchaser immediately prior to the Effective Time shall be elected as the initial officers of the Surviving Company, each to hold office in accordance with the charter and bylaws of the Surviving Company.

Section 1.8. Reckson Common Share Options, Restricted Stock Awards and Restricted Stock Unit Awards. (a) At least 30 days prior to the Effective Time, Reckson shall permit the holders of the then-outstanding options granted under the Reckson Amended and Restated 1995 Stock Option Plan, the Reckson 1996 Employee Stock Option Plan, the Reckson Amended and Restated 1997 Stock Option Plan, the Reckson 1998 Stock Option Plan, the Reckson Amended and Restated 2002 Stock Option Plan and the Reckson 2005 Stock Option Plan (collectively, the "RECKSON OPTION PLANS"), whether or not such options are then vested or exercisable, to exercise such options to the extent determined by the holders. At the Effective Time, each outstanding option under the Reckson Plans (collectively, the "RECKSON OPTIONS"), whether or not then vested or exercisable, shall be cancelled and of no further force and effect and the holder of any such Reckson Option shall be paid or receive promptly following the Closing Date, in the combination of cash and Parent Common Stock contemplated by the Merger Consideration (without any reduction pursuant to Section 1.10 or Section 1.11), an amount equal to the product of (i) the number of Reckson Common Shares such holder could have purchased under such Reckson Option (assuming full vesting) had such holder exercised such Reckson Option in full immediately prior to the Effective Time and (ii) the excess, if any, of the Merger Consideration (without any reduction pursuant to Section 1.10 or Section 1.11) over the exercise price per share or unit of such Reckson Option, less any applicable withholding Tax (as defined herein); provided, that the aggregate exercise price of a holder's Reckson Options and any applicable withholding Tax payable in connection with the payment and cancellation of such Reckson Options (the "OPTION COST") shall first be applied to reduce the Cash Consideration component of the Merger Consideration otherwise payable to such holder and, to the extent the holder's Option Cost exceeds the aggregate Cash Consideration component of the Merger Consideration otherwise payable to such holder, the excess of the Option Cost over the aggregate Cash Consideration payable to such holder shall be applied to reduce the Stock Consideration component of the Merger Consideration otherwise payable to such holder based on the weighted average of the per share closing prices of Parent Common Stock on the New York Stock Exchange Composite Transaction Reporting System during the ten consecutive trading days ending two days prior to the Effective Time.

(b) In connection with the Merger, effective immediately prior to the Effective Time, any restrictions with respect to outstanding restricted Reckson Common Shares (and any accrued dividends thereon) awarded under the Reckson Option Plans shall terminate or lapse. Effective as of the Effective Time, such Reckson Common Shares and any accrued stock dividends thereon shall be automatically converted into the right to receive the Merger Consideration on the terms and conditions set forth in Section 1.4(b), including any amounts payable pursuant to Section 1.10 or Section 1.11. The Company will pay all cash dividends accrued on such Reckson Common Shares to the holders thereof at the Effective Time.

(c) At the Effective Time, each restricted stock unit or other similar equity based award (other than Reckson Options), and any accrued dividends thereon, issued under the Reckson Option Plans (collectively, the "RECKSON RSUS"), whether vested or unvested, which is outstanding immediately prior to the Effective Time shall cease to represent a right or award with respect to Reckson Common Shares and shall be cancelled and of no further force and effect and the holder of any such Reckson RSU shall be paid on the Closing Date an aggregate amount of cash and Parent Common Stock as the holder would have been entitled to receive had such Reckson RSU (and any accrued stock dividends thereon) been vested in full and had been settled in full immediately before the Effective Time, including any distributions payable pursuant to Section 1.10 and Section 1.11, to the maximum extent then permitted under the terms thereof. The Company will pay all cash dividends accrued on such Reckson RSUs to the holders thereof at the Effective Time.

(d) Prior to the Closing Date, Reckson and each of its Subsidiaries shall take all actions necessary to facilitate the implementation of the provisions contained in this Section 1.8. Reckson covenants and agrees that it shall cause the Reckson Option Plans to terminate as of the Effective Time and all awards issued under such Reckson Option Plans shall be terminated and the provisions of any other plan, program, arrangement or agreement providing for the issuance or grant of any other interest in respect of equity interests of Reckson or any of its Subsidiaries shall be of no further force and effect and shall be deemed to be terminated as of the Effective Time and no holder of an Reckson Option, Reckson RSU or any participation in any Reckson Option Plans shall have any right thereunder to (i) acquire any securities of Reckson, the Surviving Company or any Subsidiary thereof or (ii) receive any payment or benefit with respect to any award previously granted under the Reckson Option Plans except as provided in this Section 1.8.

Section 1.9. Termination of DRIP. Reckson shall terminate Reckson's Dividend Reinvestment and Share Purchase Plan (the "DRIP"), effective prior to the Effective Time, and ensure that no purchase or other rights under the DRIP enable the holder of such rights to acquire any interest in the Surviving Company, Parent or any Parent Subsidiary, including Wyoming Acquisition LP, as a result of such purchase or the exercise of such rights at or after the Effective Time.

Section 1.10. Direct Purchase of Assets. Notwithstanding anything in this Agreement to the contrary, the Purchaser Parties may elect to purchase one or more of the Reckson Properties (the "DESIGNATED PROPERTIES") immediately prior to, and conditioned upon, the Effective Time at a purchase price to be determined by the Purchaser Parties either (A) for Parent Common Stock (a "Stock Acquisition") or (B) for cash pursuant to one or more separate agreements of sale of such Designated Properties that provide that the Purchaser Parties have the right to execute and assign to an exchange facilitator, qualified intermediary, exchange accommodation titleholder or similar entity their interest therein to facilitate a like-kind exchange of the Designated Properties in a transaction or transactions which are intended to qualify for treatment by the Purchaser Parties as a tax-deferred like-kind exchange pursuant to the provisions of Section 1031 of the Code (a "1031 EXCHANGE"); provided, however, that (i) the aggregate of the cash purchase price for the Designated Properties pursuant to this Section 1.10 and the cash proceeds from the sale of the Deeded Properties (defined below) pursuant to Section 1.11 shall not exceed the aggregate of the Cash Consideration and the cash portion of the Partnership Merger Consideration, and (ii) the aggregate of the purchase price for the Designated Properties paid in Parent Common Stock pursuant to this Section 1.10 shall not exceed the aggregate of the Stock Consideration and the stock portion of the Partnership Merger Consideration. If the Purchaser Parties elect to acquire one or more Designated Properties prior to the Effective Time, Reckson and the applicable Reckson Subsidiary shall reasonably cooperate in effectuating the Stock Acquisition or 1031 Exchange of the Designated Properties and in implementing any such assignment and/or execution of any documentation, and Reckson or the applicable Reckson Subsidiary shall sell the Designated Properties directly to the Purchaser Parties (or their assignees) immediately prior to, and conditioned upon, the Effective Time; provided, however, that Reckson's and the applicable Reckson Subsidiary's obligation to take any actions required by this Section 1.10 shall be subject to the condition that all conditions to the Closing have been satisfied or waived (other than those conditions which may only be satisfied or waived at the Effective Time, but subject to the satisfaction or waiver of such conditions) and Parent irrevocably commits in writing to consummate the Closing on the date such actions are required; provided, further, that in no event shall Reckson or any Reckson Subsidiary be obligated to take any action pursuant to this Section 1.10 in violation of Law, that would cause a breach of any indenture or other contract or agreement, or that could reasonably be expected to cause Reckson to fail to qualify as a REIT. Parent shall notify Reckson of any such transfer and identify the related Designated Properties and transferee no later than five Business Days prior to the Effective Time. Any cash or Parent Common Stock received in connection with the sale of the Designated Properties shall be distributed by the Operating Partnership to its partners and by Reckson to its stockholders immediately prior to, and conditioned upon, the Effective Time. If any Designated Properties are acquired by the Purchaser Parties (or their assignees) for cash, on the one hand, or for Parent Common Stock, on the other hand, then the Cash Consideration and the cash portion of the Partnership Merger Consideration or the Stock Consideration and the stock portion of the Partnership Merger Consideration, as applicable, will be reduced ratably by the aggregate amount distributed by the Operating Partnership to its partners per unit and by Reckson to its stockholders per share in respect of such Designated Properties. Parent will prepare at its expense all documents and other instruments referred to in this Section 1.10, and Parent will pay all transfer Taxes, recording fees and other costs in connection with any transfer of Designated Properties. Parent agrees to indemnify and hold harmless Reckson and its Subsidiaries and their respective directors, officers, partners, members, employees, agents, and representatives from and against any and all Liabilities, losses, damages, claims, costs, expenses, interest, awards, judgments, penalties and Taxes arising or resulting from, or suffered or incurred by any of them, in connection with any actions taken in connection with this Section 1.10 (which indemnification shall survive the Closing). Reckson shall be entitled to enforce the provisions of the foregoing sentence on behalf of each Person referred to therein that is not a party to this Agreement. Notwithstanding anything herein to the contrary, there shall be no reduction in the Merger Consideration or Partnership Merger Consideration to be paid to holders of any Reckson RSU, Reckson Option, restricted Reckson Common Share or LTIP OP Unit by virtue of this Section 1.10, except to the extent such holder actually receives a distribution pursuant to this Section 1.10. The right of Parent to utilize shares of Parent Common Stock pursuant to this Section 1.10 shall be subject to the ability of Parent to register such shares on the Form S-4 Registration Statement.

Section 1.11. Transfer of Reckson Properties. Notwithstanding anything in this Agreement to the contrary, Reckson shall, or shall cause the applicable Reckson Subsidiary to, transfer (each a "TRANSFER"), immediately prior to, and conditioned upon, the Effective Time, by deed or by transfer of ownership interests in an entity that directly or indirectly owns one or more of the Reckson Properties (the "DEEDED PROPERTIES") as directed by Parent; provided, however, that Reckson's and the applicable Reckson Subsidiary's obligation to take any actions required by this Section 1.11 shall be subject to the condition that all conditions to the Closing have been satisfied or waived (other than those conditions which may only be satisfied or waived at the Effective Time, but subject to the satisfaction or waiver of such conditions) and Parent irrevocably commits in writing to consummate the Closing on the date such actions are required; provided, further, that in no event shall Reckson or any Reckson Subsidiary be obligated to take any action pursuant to this Section 1.11 in violation of Law, that would cause a breach of any indenture or other contract or agreement, or that could reasonably be expected to cause Reckson to fail to qualify as a REIT. Parent shall notify Reckson of any such transfer and identify the related Deeded Property and transferee no later than five Business Days prior to the Effective Time. Parent may direct the transferee of such Deeded Property to deliver a portion of the Cash Consideration, provided, however, that Parent shall be liable for any failure of the transferee to deliver such Cash Consideration. Any cash proceeds received in connection with the sale of the Deeded Properties shall be distributed by the Operating Partnership to its partners and by Reckson to its stockholders immediately prior to, and conditioned upon, the Effective Time. If any Deeded Properties are purchased for cash, the aggregate of the cash proceeds from the sale of the Deeded Properties pursuant to this Section 1.11 and the cash purchase price for the Designated Properties pursuant to Section 1.10 shall not exceed the aggregate of the Cash Consideration and the cash portion of the Partnership Merger Consideration, and the Cash Consideration and the cash portion of the Partnership Merger Consideration will be reduced ratably by the aggregate amount distributed by the Operating Partnership to its partners per unit and by Reckson to its stockholders per share in respect of such Designated Properties. Any transfer Taxes, recording fees and other costs incurred by Reckson or the relevant Reckson Subsidiary in connection with such transfer of a Deeded Property shall be the responsibility of Parent. Parent agrees to indemnify and hold harmless Reckson and its Subsidiaries and their respective directors, officers, partners, members, employees, agents, and representatives from and against any and all Liabilities, losses, damages, claims, costs, expenses, interest, awards, judgments, penalties and Taxes arising or resulting from, or suffered or incurred by any of them, in connection with any actions taken in connection with this Section 1.11 (which indemnification shall survive the Closing). Reckson shall be entitled to enforce the provisions of the foregoing sentence on behalf of each Person referred to therein that is not a party to this Agreement. Notwithstanding anything herein to the contrary, there shall be no reduction in the Merger Consideration or Partnership Merger Consideration to be paid to holders of any Reckson RSU, Reckson Option, restricted Reckson Common Share or LTIP OP Unit by virtue of this Section 1.11, except to the extent such holder actually receives a distribution pursuant to this Section 1.11.

ARTICLE II

EFFECTS OF THE MERGER; EXCHANGE OF CERTIFICATES

Section 2.1. Payment for Securities.

(a) Exchange Agent. At or before the Effective Time, Parent shall appoint a bank or trust company reasonably satisfactory to Reckson to act as exchange agent (the "EXCHANGE AGENT") for the payment and delivery of the Merger Consideration, the Partnership Merger Consideration and amounts in respect of LTIP OP Units, Reckson Options and Reckson RSUs, and any amounts payable pursuant to Sections 1.10, 1.11, 2.1(b)(iv), 2.1(c)(ii) or 2.1(l) (such cash amounts and certificates representing shares of Parent Common Stock deposited with the Exchange Agent, are collectively referred to as the "EXCHANGE FUND"). On or before the Effective Time, Parent shall deposit or cause to be deposited, certificates representing the shares of Parent Common Stock sufficient to pay the Stock Consideration and cash in immediately available funds in an amount sufficient to pay the Cash Consideration and any amounts payable pursuant to Sections 1.10, 1.11, 2.1(b)(iv), 2.1(c)(ii) or 2.1(l) with the Exchange Agent for the benefit of the holders of Reckson Common Shares, Common LP Units, LTIP OP Units, Reckson Options, and Reckson RSUs. The Exchange Agent shall make payments of the Merger Consideration, the Partnership Merger Consideration, and amounts in respect of restricted Reckson Common Shares, LTIP OP Units, Reckson Options, and Reckson RSUs, and any amounts payable in respect of dividends or distributions on shares of Parent Common Stock in accordance with Section 2.1(b)(iv) or otherwise payable pursuant to Section 1.10, 1.11, 2.1(c)(ii) or 2.1(l) out of the Exchange Fund in accordance with this Agreement. The Exchange Fund shall not be used for any other purpose.

(b) Exchange Procedures. (i) As promptly as practicable following the Effective Time (but in no event later than two (2) Business Days), Purchaser shall cause the Exchange Agent to mail to each holder of record of a certificate or certificates (each, a "COMMON SHARE CERTIFICATE") that immediately prior to the Effective Time evidenced outstanding Reckson Common Shares whose shares were converted into the right to receive the Merger Consideration pursuant to Section 1.4(b): (A) a letter of transmittal (a "LETTER OF TRANSMITTAL") which shall specify that delivery shall be effected and risk of loss and title to the Common Share Certificates shall pass only upon delivery of the Common Share Certificates to the Exchange Agent and shall be in such form and have such other provisions as the Surviving Company may reasonably specify and (B) instructions for use in effecting the surrender of the Common Share Certificates in exchange for the Merger Consideration together with any amounts payable in respect of dividends or distributions on shares of Parent Common Stock in accordance with Sections 1.10, 1.11 and 2.1(b)(iv).

(ii) Upon surrender of a Common Share Certificate for cancellation to the Exchange Agent, together with a Letter of Transmittal, duly executed, and any other documents reasonably required by the Exchange Agent or the Surviving Company, (A) the holder of such Common Share Certificate shall be entitled to receive in exchange therefor (x) a certificate representing that number of whole shares of Parent Common Stock that such holder is entitled to receive pursuant to this Agreement (y) a check in the amount (after giving effect to any required Tax withholdings as provided in Section 2.1(j)) equal to the amount of the Cash Consideration that such holder is entitled to receive pursuant to this Agreement plus any cash such holder is entitled to receive in lieu of fractional shares of Parent Common Stock that such holder has the right to receive pursuant to the provisions of Section 1.4(b) and Section 2.1(l) and (z) any amounts that such holder has the right to receive in respect of dividends or distributions on shares of Parent Common Stock in accordance with Sections 1.10, 1.11 and 2.1(b)(iv); and (B) the Common Share Certificate so surrendered shall forthwith be canceled. Until surrendered as contemplated by this Section 2.1, each such Common Share Certificate shall be deemed at any time after the Effective Time to represent only the right to receive upon such surrender the Merger Consideration.

(iii) In the event of a transfer of ownership of Reckson Common Shares that is not registered in the transfer records of Reckson, the Merger Consideration shall be paid to a transferee if (A) the Common Share Certificate evidencing such Reckson Common Shares is presented to the Exchange Agent properly endorsed or accompanied by appropriate stock powers and otherwise in proper form for transfer and accompanied by all documents reasonably required by the Exchange Agent to evidence and effect such transfer and (B) such transferee shall pay any transfer or other Taxes required by reason of the payment to a Person other than the registered holder of the Common Share Certificate or establish to the satisfaction of the Exchange Agent and the Surviving Company that such Tax has been paid or is not applicable.

(iv) No dividends or other distributions with respect to Parent Common Stock with a record date after the Effective Time shall be paid to the holder of any unsurrendered Common Share Certificate with respect to the shares of Parent Common Stock issuable hereunder and all such dividends and other distributions shall be paid by Parent to the Exchange Agent and shall be included in the Exchange Fund, in each case until the surrender of such Certificate in accordance with this Agreement. Following surrender of any such Common Share Certificate there shall be paid to the holder of the certificate in addition to the other amounts payable hereunder (i) promptly after the time of such surrender, the amount of dividends or other distributions with a record date after the Effective Time theretofore paid with respect to such whole shares of Parent Common Stock to which such holder is entitled pursuant to this Agreement and (ii) at the appropriate payment date, the amount of dividends or other distributions with a record date after the Effective Time but prior to such surrender and with a payment date subsequent to such surrender payable with respect to such whole shares of Parent Common Stock.

(c) Payment with respect to LP Units.

(i) As promptly as practicable after the Partnership Merger Effective Time (but in no event later than two (2) Business Days), Purchaser shall cause the Exchange Agent to mail to each holder of Common LP Units registered on the transfer books of the Operating Partnership immediately prior to the Partnership Merger Effective Time (A) a letter of transmittal (a "UNITHOLDER LETTER OF TRANSMITTAL") which shall certify to Purchaser and to the Exchange Agent the number of LP Units held by such holder and shall be in such form and have such other provisions as the Surviving Company may reasonably specify and (B) instructions for use in effecting the delivery of the Unitholder Letter of Transmittal in order to receive the Partnership Merger Consideration together with any amounts payable in respect of dividends or distributions on shares of Parent Common Stock in accordance with Section 1.10, Section 1.11 and Section 2.1(c)(iv) and fractional shares of Parent Common Stock pursuant to Section 2.1(l).

(ii) Upon delivery of a Unitholder Letter of Transmittal, duly executed, and any other documents reasonably required by the Exchange Agent or the Surviving Company, the holder of the LP Units identified in such Unitholder Letter of Transmittal shall be entitled to receive in exchange therefor (x) a certificate representing that number of whole shares of Parent Common Stock that such holder is entitled to receive pursuant to this Agreement, (y) a check in the amount (after giving effect to any required Tax withholdings as provided in Section 2.1(j)) equal to the amount of the Cash Consideration that such holder is entitled to receive pursuant to this Agreement plus any cash such holder is entitled to receive in lieu of fractional shares of Parent Common Stock that such holder has the right to receive pursuant to the provisions of Section 1.5(b) and Section 2.1(l) and (z) any amounts that such holder has the right to receive in respect of dividends or distributions on shares of Parent Common Stock in accordance with Section 1.10, Section 1.11 and Section 2.1(c)(iv).

(iii) In the event of a transfer of ownership of LP Units which is not registered in the transfer records of the Operating Partnership, the Partnership Merger Consideration shall be paid to a transferee if (A) such transferee delivers a Unitholder Letter of Transmittal in accordance with Section 2.1(c)(i) and (B) such transferee shall pay any transfer or other Taxes required by reason of the payment to a Person (as defined herein) other than the registered holder of the LP Unit or establish to the satisfaction of the Exchange Agent and the Surviving Partnership that such Tax has been paid or is not applicable.

(iv) No dividends or other distributions with respect to Parent Common Stock with a record date after the Effective Time shall be paid to the holder of any LP Units with respect to the shares of Parent Common Stock issuable hereunder and all such dividends and other distributions shall be paid by Parent to the Exchange Agent and shall be included in the Exchange Fund, in each case until the surrender of such LP Units in accordance with this Agreement. Following surrender of any such LP Units there shall be paid to the holder of thereof in addition to the other amounts payable hereunder (i) promptly after the time of such surrender, the amount of dividends or other distributions with a record date after the Effective Time theretofore paid with respect to such whole shares of Parent Common Stock to which such holder is entitled pursuant to this Agreement and (ii) at the appropriate payment date, the amount of dividends or other distributions with a record date after the Effective Time but prior to such surrender and with a payment date subsequent to such surrender payable with respect to such whole shares of Parent Common Stock.

(d) On the Closing Date, Purchaser shall cause the Exchange Agent to deliver and pay to each holder of vested LTIP OP Units the applicable Merger Consideration (without reduction for amounts paid to stockholders or partners of the Operating Partnership pursuant to Section 1.10 and Section 1.11, unless such amount has been paid to holders of LTIP OP Units) in respect of the number of Reckson Common Shares issuable upon exchange or conversion of each such vested LTIP OP Unit in accordance with Section 1.5(b).

(e) Tax Characterizations. The parties intend that, for U.S. federal and state income Tax purposes, the Merger shall be treated as a taxable sale by Reckson of all of Reckson's assets to Purchaser in exchange for the Merger Consideration and the assumption of Reckson's Liabilities, followed by a liquidating distribution of such Merger Consideration to the holders of Reckson Common Shares pursuant to Section 331 and Section 562 of the Code. This Agreement shall constitute a "plan of liquidation" of Reckson for U.S. federal income Tax purposes. The parties intend that, for U.S. federal and state income Tax purposes, the Partnership Merger shall be treated as a taxable sale of interests in the Operating Partnership to the extent such interests are exchanged for cash and as a recapitalization of any remaining interests in the Operating Partnership.

(f) No Further Ownership Rights.

(i) The Merger Consideration and amounts payable pursuant to Section 1.10 and Section 1.11 paid upon the surrender or exchange of the Common Share Certificates evidencing Reckson Common Shares in accordance with the terms hereof shall be deemed to have been paid in full satisfaction of all rights pertaining to such Reckson Common Shares and, after the Effective Time, there shall be no further registration of transfers on the transfer books of the Surviving Company of the Reckson Common Shares. If, after the Effective Time, Common Share Certificates are presented to the Surviving Company, for any reason, they shall be canceled and exchanged as provided in this Article II.

(ii) The Partnership Merger Consideration and amounts payable pursuant to Section 1.10 and Section 1.11 paid with respect to the Common LP Units in accordance with the terms hereof shall be deemed to have been paid in full satisfaction of all rights pertaining to such LP Units and, after the Partnership Merger Effective Time, there shall be no further registration of transfers on the transfer books of the Surviving Partnership of the LP Units.

(g) Termination of Exchange Fund. Any portion of the Exchange Fund (including any interest and other income received with respect thereto) that remains undistributed to the former holders of Reckson Common Shares or Common LP Units on the first anniversary of the Effective Time shall be delivered to Purchaser, as applicable, upon demand, and any former holders of Reckson Common Shares or Common LP Units who have not theretofore received any Merger Consideration or Partnership Merger Consideration, as applicable, to which they are entitled under this Article II, shall thereafter look only to the Surviving Company or the Surviving Partnership, as applicable, for payment of their claims with respect thereto.

(h) Escheat. None of the Purchaser Parties, the Surviving Company or the Surviving Partnership shall be liable to any holder of Reckson Common Shares or LP Units for any part of the Merger Consideration or Partnership Merger Consideration, as applicable, delivered to a public official pursuant to any applicable abandoned property, escheat or similar Law. Any amounts remaining unclaimed by holders of any such shares immediately prior to the time at which such amounts would otherwise escheat to, or become property of, any federal, state or local government or any court, regulatory or administrative agency or commission, governmental arbitrator or other governmental authority or instrumentality, domestic or foreign (a "GOVERNMENTAL ENTITY"), shall, to the extent permitted by applicable Law, become the property of the Surviving Company or the Surviving Partnership, as a applicable, free and clear of any claims or interest of any such holders or their successors, assigns or personal representatives previously entitled thereto.

(i) Lost, Stolen or Destroyed Certificates. If any Common Share Certificate shall have been lost, stolen or destroyed, upon the making of an affidavit of that fact by the Person claiming such Common Share Certificate to be lost, stolen or destroyed and, if required by Purchaser or the Surviving Company, the posting by such Person of a bond in such reasonable amount as Purchaser or the Surviving Company may direct as indemnity against any claim that may be made against it with respect to such Common Share Certificate, the Exchange Agent shall pay in exchange for such lost, stolen or destroyed Common Share Certificate the appropriate amount of the Merger Consideration.

(j) Withholding of Tax. Purchaser, the Surviving Company, the Surviving Partnership or the Exchange Agent shall be entitled to deduct and withhold from the Merger Consideration or the Partnership Merger Consideration otherwise payable pursuant to this Agreement to any holder of Reckson Common Shares or Common LP Units such amount as Purchaser, the Surviving Company, the Surviving Partnership, or the Exchange Agent is required to deduct and withhold with respect to the making of such payment under the Code or any provision of state, local or foreign Tax Law. To the extent that amounts are so deducted or withheld and paid over to the applicable Governmental Entity, such deducted or withheld amounts shall be treated for all purposes of this Agreement as having been paid to the former holder of Reckson Common Shares or Common LP Units in respect of which such deduction and withholding was made.

(k) No Dissenters' Rights. No dissenters' or appraisal rights shall be available with respect to the Merger or the other transactions contemplated hereby, so long as the provisions of Section 3-202(c)(1)(ii) of the MGCL are applicable to the transaction.

(l) Fractional Shares. No certificate or scrip representing fractional shares of Parent Common Stock shall be issued upon the surrender for exchange of Common Share Certificates or LP Units and such fractional share interests shall not entitle the owner thereof to vote or to any other rights of a stockholder of Parent. Notwithstanding any other provision of this Agreement, each holder of Reckson Common Shares or LP Units converted pursuant to the Mergers who would otherwise have been entitled to receive a fraction of a share of Parent Common Stock shall receive, in lieu thereof, cash, without interest, in an amount equal to such fractional part of a share of Parent Common Stock multiplied by the weighted average of the per share closing prices of Parent Common Stock on the New York Stock Exchange Composite Transaction Reporting System during the ten consecutive trading days ending two days prior to the Effective Time.

(m) Additional Actions. If, at any time after the Effective Time, Purchaser shall consider or be advised that any deeds, bills of sale, assignments, assurances or any other documents, actions or things are necessary or desirable to vest, perfect or confirm of record or otherwise in the Surviving Company or the Surviving Partnership its right, title or interest in, to or under any of the rights, properties or assets of Purchaser, Wyoming Acquisition GP, Wyoming Acquisition LP, Reckson or the Operating Partnership, or otherwise to carry out this Agreement, the officers of the Surviving Company and the Surviving Partnership shall be authorized to execute and deliver, in the name and on behalf of Purchaser, Wyoming Acquisition GP, Wyoming Acquisition LP, Reckson or the Operating Partnership, all such deeds, bills of sale, assignments, assurances and other documents and to take and do, in the name and on behalf of Purchaser, Wyoming Acquisition GP, Wyoming Acquisition LP, Reckson or the Operating Partnership, all such other actions and things as may be necessary or desirable to vest, perfect or confirm any and all right, title and interest in, to and under such rights, properties or assets in the Surviving Company or the Surviving Partnership or otherwise to carry out this Agreement.

(n) Uncertificated Shares or Interests. Appropriate adjustments shall be made to the provisions of this Article II in the case of any uncertificated Reckson Common Shares or LP Units.

ARTICLE III

REPRESENTATIONS AND WARRANTIES

Section 3.1. Representations and Warranties of Reckson and the Operating Partnership. Except as set forth in (i) any Form 10-K, Form 10-Q, Form 8-K, or proxy statement, and in each case any amendment thereto, filed by Reckson or the Operating Partnership with the SEC on or after January 1, 2006 and prior to the date hereof (except in each case for the risk factors section and any forward looking statements contained in the Management's Discussion & Analysis) (the "COVERED RECKSON SEC DISCLOSURE"), or (ii) the disclosure letter, dated the date hereof and delivered to Purchaser in connection with the execution and delivery of this Agreement (the "RECKSON DISCLOSURE LETTER"), Reckson and the Operating Partnership represent and warrant to the Purchaser Parties as follows:

(a) Organization, Standing and Power of Reckson. Reckson is a corporation duly formed, validly existing and in good standing under the Laws of the State of Maryland, and has all of the requisite corporate power, authority and all necessary government approvals or licenses to own, lease, operate its properties and to carry on its business as now being conducted. Reckson is duly qualified or licensed to do business and is in good standing in each jurisdiction in which the nature of the business it is conducting, or the ownership, operation or leasing of its properties or the management of properties for others makes such qualification or licensing necessary, other than in such jurisdictions where the failure to be so qualified or licensed or in good standing would not, individually or in the aggregate, constitute a Reckson Material Adverse Effect (as defined herein). Each jurisdiction in which Reckson is qualified or licensed to do business under which it conducts business in any jurisdiction is identified in Section 3.1(a) of the Reckson Disclosure Letter. Reckson has heretofore made available to Purchaser complete and correct copies of Reckson's Amended and Restated Articles of Incorporation (the "RECKSON CHARTER"), and Reckson's Amended and Restated Bylaws, as amended through the date hereof (the "RECKSON BYLAWS"). The Reckson Charter and the Reckson Bylaws each are in full force and effect.

(b) Reckson Subsidiaries.

(i) Each Reckson Subsidiary (as defined herein) is duly organized, validly existing and, as applicable, in good standing under the Laws of its jurisdiction of formation, and has all of the requisite corporate, partnership, limited liability company or other organizational power and authority and all necessary government approvals and licenses to own, lease and operate its properties and to carry on its business as now being conducted, except where the failure to have such approvals or licenses would not, individually or in the aggregate, constitute a Reckson Material Adverse Effect. Each Reckson Subsidiary is duly qualified or licensed to do business and is in good standing in each jurisdiction in which the nature of its business or the ownership, operation or leasing of its properties or the management of properties for others makes such qualification or licensing necessary, other than in such jurisdictions where the failure to be so qualified or licensed or in good standing would not, individually or in the aggregate, constitute a Reckson Material Adverse Effect. Section 3.1(b)(i) of the Reckson Disclosure Letter sets forth (A) each Reckson Subsidiary and its respective jurisdiction of formation, and (B) Reckson's ownership equity interest in each Reckson Subsidiary. All outstanding equity interests in each Reckson Subsidiary have been duly authorized and are validly issued, fully paid and (except for general partnership interests) nonassessable, or, in the case of Reckson Subsidiaries other than the joint ventures listed on Section 3.1(b) of the Reckson Disclosure Letter (collectively, the "JOINT VENTURES'), any purchase options, call options, preemptive rights, rights of first refusal, subscriptions or any similar rights, and are owned by Reckson and are so owned free and clear of all pledges, claims, liens, charges, encumbrances and security interests of any kind or nature whatsoever (collectively, "LIENS"), except as would not, individually or in the aggregate, materially affect the ownership or operation of such Subsidiary by Reckson. Reckson has heretofore made available to Purchaser complete and correct copies of the charter, bylaws or other organizational documents of each of the Reckson Subsidiaries, each as amended to the date hereof, and each is in full force and effect.

(c) Capital Structure.

(i) Shares. (A) The authorized shares of capital stock of Reckson consist of an aggregate of 200,000,000 Reckson Common Shares, $.01 par value per share (of which 12,000,000 shares have been designated as Class B Exchangeable Common Stock (the "CLASS B COMMON STOCK"), 25,000,000 Preferred Shares, $.01 par value per share (of which 9,200,000 shares have been designated 7-5/8% Series A Convertible Cumulative Preferred Stock, the ("SERIES A CONVERTIBLE PREFERRED"), 6,000,000 shares have been designated as Series B Convertible Cumulative Preferred Stock (the "SERIES B CONVERTIBLE PREFERRED") and 100,000 shares have been designated as Series C Junior Participating Preferred Stock (the "SERIES C PREFERRED")) and 75,000,000 Excess Shares, $.01 par value per share.

(B) As of August 1, 2006, 83,250,919 Reckson Common Shares are issued and outstanding (including an aggregate of 139,000 restricted Reckson Common Shares granted under the Reckson Option Plans), no shares of Class B Common Stock are issued and outstanding, no shares of Series A Convertible Preferred Stock are issued and outstanding, no shares of Series B Convertible Preferred Stock are issued and outstanding and no shares of Series C Preferred Stock are issued and outstanding.

(C) As of August 1, 2006, there are outstanding Reckson Options to purchase an aggregate of 1,232,701 Reckson Common Shares and Reckson RSUs that relate to an aggregate of 216,340 Reckson Common Shares.

(D) As of the date hereof, there are no issued and outstanding or reserved for issuance: (1) shares or other equity securities of Reckson; (2) restricted Reckson Common Shares or performance stock awards relating to the equity interests of Reckson; (3) securities of Reckson or any Reckson Subsidiary convertible into or exchangeable for stock or other equity securities of Reckson or any Reckson Subsidiary; and (4) subscriptions, options, warrants, conversion rights, stock appreciation rights, "phantom" stock, stock units, calls, claims, rights of first refusal, rights (including preemptive rights), commitments, arrangements or agreements to which Reckson or any Reckson Subsidiary is a party or by which it is bound in any case obligating Reckson or any Reckson Subsidiary to issue, deliver, sell, purchase, redeem or acquire, or cause to be issued, delivered, sold, purchased, redeemed or acquired, stock or other equity securities of Reckson or of any Reckson Subsidiary, or obligating Reckson or any Reckson Subsidiary to grant, extend or enter into any such subscription, option, warrant, conversion right, stock appreciation right, call, right, commitment, arrangement or agreement, except, in each case, (w) for the Preferred Share Purchase Rights issued pursuant to the Rights Agreement (the "COMPANY RIGHTS AGREEMENT"), dated as of or about October 13, 2000 between the Company and American Stock Transfer & Trust Company (the "RIGHTS AGENT"), (x) as set forth in this Section 3.1(c), (y) in connection with the 4.00% exchangeable senior debentures due December 15, 2005 (the "CONVERTIBLE SENIOR NOTES"), or (z) as may arise in connection with the rights of holders of the partnership units of the Operating Partnership, including the LP Units. All outstanding shares of Reckson are, and all shares reserved for issuance will be, upon issuance in accordance with the terms specified in the instruments or agreements pursuant to which they are issuable, duly authorized, validly issued, fully paid and nonassessable and not subject to or issued in violation of, any preemptive right, purchase option, call option, right of first refusal, subscription or any other similar right.

(E) All dividends or distributions on securities of Reckson or the Operating Partnership or any material dividends or distributions on any securities of any Reckson Subsidiary (other than the Joint Ventures and any wholly owned Reckson Subsidiaries) that have been declared or authorized prior to the date of this Agreement have been paid in full.

(ii) Partnership Units. (A) As of August 1, 2006, (1) 83,250,919 units of general partner interest in the Operating Partnership (the "GP UNITS"), (2) 1,521,097 Class A Common Units and 456,621 Class C Common Units and (3) 1,200 Preferred LP Units are validly issued and outstanding. All such partnership interests are duly authorized, validly issued and are not subject to preemptive rights, none of Reckson or the Operating Partnership is a party to any purchase option, call option, right of first refusal, subscription or other similar right with respect to any of Reckson's interests in the Operating Partnership, and any capital contributions required to be made by the holders thereof have been made.

(B) Reckson is the sole general partner of the Operating Partnership and holds 100% of the outstanding GP Units in the Operating Partnership. Section 3.1(c)(ii)(B) of the Reckson Disclosure Letter sets forth, as of the date hereof, the name of, and the number and class of Common LP Units and Preferred LP Units held by, each partner in the Operating Partnership.

(C) As of the date of this Agreement, (1) 362,500 long-term incentive operating partnership units representing the right to receive Common LP Units in accordance with the terms set forth in the Supplement to the Operating Partnership Agreement Establishing the LTIP Units (the "2004 LTIP OP Units"), (2) 272,100 long-term incentive operating partnership units representing the right to receive Common LP Units in accordance with the terms set forth in the Supplement to the Operating Partnership Agreement Establishing the 2005 LTIP Units (the "2005 LTIP OP UNITS") and (3) 207,000 long-term incentive operating partnership units representing the right to receive Common LP Units in accordance with the terms set forth in the Supplement to the Operating Partnership Agreement Establishing the 2006 LTIP Units (the "2006 LTIP OP UNITS" and collectively with the 2004 LTIP OP Units and 2005 LTIP OP Units, the "LTIP OP UNITS").

(iii) Miscellaneous. (A) Except for this Agreement and the Operating Partnership Agreement, there are not any (i) shareholder agreements, voting trusts, proxies or other agreements or understandings relating to the voting of any shares of Reckson or partnership interests in the Operating Partnership to which Reckson or any Reckson Subsidiary is a party or by which it is bound or (ii) agreements or understandings relating to the sale or transfer (including agreements imposing transfer restrictions) of any shares of Reckson, or partnership interests in the Operating Partnership to which Reckson or any Reckson Subsidiary is a party or by which it is bound.

(B) No holder of securities in Reckson or any Reckson Subsidiary has any right to have the offering or sale of such securities registered by Reckson or any Reckson Subsidiary, as the case may be.

(d) Authority; No Violations; Consents and Approval.

(i) The Reckson Board of Directors has approved and declared advisable the Merger, the Partnership Merger and the other transactions contemplated by this Agreement and has directed that the Merger be submitted for consideration at a special meeting of the holders of Reckson Common Shares (the "RECKSON SHAREHOLDER MEETING"). Reckson and the Operating Partnership each has all requisite corporate or partnership power and authority to enter into this Agreement and to consummate the transactions contemplated hereby, subject to receipt of the Reckson Shareholder Approval, the Reckson Partner Approval, and the filing of Articles of Merger pursuant to the MGCL and the filing of the Partnership Certificate of Merger pursuant to the DRULPA. The execution and delivery of this Agreement and the consummation of the transactions contemplated hereby have been duly authorized by all necessary corporate, or other organizational action on the part of Reckson and each applicable Reckson Subsidiary, subject, solely with respect to the consummation of the Merger, to receipt of the Reckson Shareholder Approval and with respect to the consummation of the Partnership Merger, the Reckson Partner Approval. This Agreement has been duly executed and delivered by Reckson and the Operating Partnership, and subject, solely with respect to the consummation of the Mergers, to receipt of the Reckson Shareholder Approval and the Reckson Partner Approval, and assuming due execution and delivery by each of the Purchaser Parties, constitutes legal, valid and binding obligations of Reckson and the Operating Partnership, enforceable against Reckson and the Operating Partnership in accordance with its terms, except as such enforceability may be limited by bankruptcy, insolvency, reorganization, moratorium and other Laws of general applicability relating to or affecting creditors' rights and by general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law).

(ii) Subject to receipt of the Reckson Shareholder Approval and the Reckson Partner Approval, the execution and delivery of this Agreement by Reckson and the Operating Partnership does not, and the consummation of the transactions contemplated hereby, and compliance with the provisions hereof, will not, conflict with, or result in any violation of, or default (with or without notice or lapse of time, or both) under, or give rise to a right of termination, cancellation or acceleration of any material obligation under, require the consent or approval of any third party under, any provision of (A) the Reckson Charter or the Reckson Bylaws or any provision of the comparable charter or organizational documents of any of the Reckson Subsidiaries, (B) any loan or credit agreement or note, or any bond, mortgage, indenture, joint venture, lease, contract or other agreement, instrument, permit, concession, franchise or license applicable to Reckson or any of the Reckson Subsidiaries, or to which their respective properties or assets are bound or any guarantee (except, in each case, for the Triggered Loans (as defined herein) and except as may arise in connection with the Purchaser Parties' financing of the transactions contemplated by this Agreement) by Reckson or any of the Reckson Subsidiaries of any of the foregoing, or (C) assuming the consents, approvals, authorizations or permits and filings or notifications referred to in Section 3.1(d)(iii) are duly and timely obtained or made and the Reckson Shareholder Approval and Reckson Partner Approval have been obtained, any Law or Order (as defined herein) applicable to or binding upon Reckson or any of the Reckson Subsidiaries, or any of their respective properties or assets, other than as may arise in connection with the Purchaser Parties' financing of the transactions contemplated by this Agreement, except in the case of clauses (B) and (C), any of the foregoing that, individually or in the aggregate, would not constitute a Reckson Material Adverse Effect. For the purposes of this Agreement, the term "TRIGGERED LOANS" means the loans identified as "Triggered Loans" in Section 3.1(d)(ii) of the Reckson Disclosure Letter.

(iii) No consent, approval, Order or authorization of, or registration, declaration or filing with, notice to or permit from, any Governmental Entity, is required by or on behalf of Reckson or any of the Reckson Subsidiaries in connection with the execution and delivery of this Agreement by Reckson or the Operating Partnership or the consummation by Reckson or the Operating Partnership of the transactions contemplated hereby, except for: (A) the filing with the Securities and Exchange Commission (the "SEC") of (1) (a) a proxy or information statement in preliminary and definitive form (the "PROXY STATEMENT") relating to the Reckson Shareholder Meeting held in connection with the Merger, or (b) other documents otherwise required in connection with the transactions contemplated hereby and (2) such reports under Section 13(a) of the Securities Exchange Act of 1934, as amended (the "EXCHANGE ACT"), and such other compliance with the Exchange Act and the rules and regulations thereunder, as may be required in connection with this Agreement and the transactions contemplated thereby; (B) the filing of the Articles of Merger and the acceptance for record of the Articles of Merger pursuant to the MGCL; (C) the filing of the Partnership Certificate of Merger and the acceptance for record of the Partnership Certificate of Merger pursuant to the DRULPA; (D) such filings and approvals as may be required by any applicable state securities or "blue sky" Laws; (E) such filings as may be required in connection with state or local transfer Taxes; (F) compliance with the rules and regulations of the New York Stock Exchange; and (G) any such other consent, approval, Order, authorization, registration, declaration, filing or permit that the failure to obtain or make, individually or in the aggregate, would not constitute a Reckson Material Adverse Effect.

(e) SEC Documents; Financial Statements. Reckson has made available to Purchaser (by public filing with the SEC or otherwise) a true and complete copy of each report, schedule, registration statement, other statement (including proxy statements) and information filed by Reckson with the SEC since January 1, 2003 (the "RECKSON SEC DOCUMENTS"), which are all the documents (other than preliminary material) that Reckson was required to file with the SEC since January 1, 2003 pursuant to the federal securities laws and the SEC rules and regulations thereunder. As of their respective dates, the Reckson SEC Documents complied in all material respects with the requirements of the Securities Act of 1933, as amended (the "SECURITIES ACT"), the Sarbanes-Oxley Act of 2002 and the Exchange Act, as applicable, and the rules and regulations of the SEC thereunder applicable to such Reckson SEC Documents, in each case, as in effect at such time, and none of the Reckson SEC Documents contained any untrue statement of a material fact or omitted to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading, except to the extent such statements have been modified or superseded by later Reckson SEC Documents filed and publicly available prior to the date of this Agreement. No Reckson Subsidiary other than the Operating Partnership is required (by contract or by applicable Law) to make periodic filings with the SEC. The consolidated financial statements of Reckson (including the notes thereto) included or incorporated by reference in the Reckson SEC Documents (including the audited consolidated balance sheet of Reckson as at December 31, 2005 (the "BALANCE SHEET") and the unaudited consolidated statements of income for the three months ended March 31, 2006) complied as to form in all material respects with the applicable accounting requirements and the published rules and regulations of the SEC with respect thereto, were prepared in accordance with generally accepted accounting principles ("GAAP") applied on a consistent basis during the periods involved (except as may be indicated in the notes thereto, or, in the case of the unaudited statements, as permitted by Rule 10-01 of Regulation S-X of the SEC) and fairly present, in accordance with applicable requirements of GAAP and the applicable rules and regulations of the SEC (subject, in the case of the unaudited statements, to normal, recurring adjustments, none of which are material), in each case, as in effect at such time, the assets, liabilities and the consolidated financial position of Reckson and the Reckson Subsidiaries, taken as a whole, as of their respective dates and the consolidated results of operations and cash flows of Reckson and the Reckson Subsidiaries taken as a whole, for the periods presented therein. Since the enactment of the Sarbanes-Oxley Act of 2002, each of Reckson and the Operating Partnership has been and is in compliance in all material respects with the applicable provisions thereof and the rules and regulations promulgated thereunder.

(f) Absence of Certain Changes or Events.

(i) Since the date of the Balance Sheet, each of Reckson and the Reckson Subsidiaries have conducted their business only in the ordinary course consistent with past practice and there has not been: (i) a Reckson Material Adverse Effect; (ii) any declaration, setting aside for payment or payment of any dividend or other distribution (whether in cash, stock or property) with respect to any of the Reckson Common Shares or any LP Units (other than regular quarterly cash dividends of $0.4246 per Reckson Common Share and cash dividends after the date of this Agreement expressly permitted by Section 4.1 or applicable distributions payable to holders of LP Units, GP Units and Reckson RSUs) ; (iii) any amendment of any material term of any outstanding security of Reckson or any Reckson Subsidiary; (iv) any repurchase, redemption or other acquisition by Reckson or any Reckson Subsidiary of any outstanding shares, stock or other securities of, or other ownership interests in, Reckson or any Reckson Subsidiary (except (x) in connection with Reckson Employee Benefit Plans, (y) pursuant to the terms of any LP Units, or (z) in connection with the use of Reckson Common Shares or Common LP Units to pay the exercise price or Tax withholding obligation upon the exercise of a Reckson Option or upon the vesting or settlement of a Reckson restricted share award, Reckson RSU or LTIP OP Unit); (v) any change in any method or practice of financial accounting by Reckson or any Reckson Subsidiary except for changes after the date of this Agreement expressly permitted by Section 4.1); or (vi) any incurrence, assumption or guarantee by Reckson or any Reckson Subsidiary of any indebtedness for borrowed money other than incurrences, assumptions or guarantees that would have been permitted if incurred subsequent to the date of this Agreement in accordance with Section 4.1(b).

(g) No Undisclosed Material Liabilities. Except as disclosed in the Reckson SEC Documents filed prior to the date hereof, there are no Liabilities of Reckson or any of the Reckson Subsidiaries, whether accrued, contingent, absolute or determined other than: (i) Liabilities reflected in the financial statements (including the notes thereto), or (ii) Liabilities incurred in the ordinary course of business consistent with past practice since the date of the Balance Sheet and as would not, individually or in the aggregate, constitute a Reckson Material Adverse Effect.

(h) No Default. Neither Reckson nor any of the Reckson Subsidiaries is or has been in default or violation (and no event has occurred which, with notice or the lapse of time or both, would constitute a default or violation) of (i) any material term, condition or provision of the Reckson Charter or the Reckson Bylaws or the comparable charter or organizational documents of any of the Reckson Subsidiaries (for the avoidance of doubt, the occurrence of any event that is reasonably likely to result in Reckson ceasing to be qualified as a REIT shall be deemed to be material), (ii) any term, condition or provision of any loan or credit agreement or any note, bond, mortgage, indenture, lease or other agreement, instrument, permit, concession, franchise or license to which Reckson or any of the Reckson Subsidiaries is now a party or by which Reckson or any of the Reckson Subsidiaries or any of their respective properties or assets is bound, or (iii) any Law or Order applicable to or binding upon Reckson or any of the Reckson Subsidiaries or any of their respective properties or assets, except, in the case of clauses (i) (with respect to Reckson Subsidiaries that constitute Joint Ventures), (ii) and (iii), for defaults or violations that, individually or in the aggregate, have not constituted, and would not constitute, a Reckson Material Adverse Effect.

(i) Compliance with Applicable Laws. Reckson and the Reckson Subsidiaries hold all permits, licenses, certificates, registrations, variances, exemptions, Orders, franchises and approvals of all Governmental Entities necessary or required by any applicable Law or Order for the lawful conduct of their respective businesses (the "RECKSON PERMITS"), except where the failure so to hold, individually or in the aggregate, does not constitute and would not reasonably be expected to result in a Reckson Material Adverse Effect. Reckson and the Reckson Subsidiaries are in compliance with the terms of the Reckson Permits, except where the failure to so comply, individually or in the aggregate, does not constitute and would not reasonably be expected to result in a Reckson Material Adverse Effect. Except as would not, individually or in the aggregate, constitute and would not reasonably be expected to result in a Reckson Material Adverse Effect, the businesses of Reckson and the Reckson Subsidiaries are not being and have not been conducted in violation of any Law or Order. No investigation or review by any Governmental Entity with respect to Reckson or any of the Reckson Subsidiaries is pending or, to the Knowledge of Reckson, is threatened, other than those the outcome of which, individually or in the aggregate, would not constitute a Reckson Material Adverse Effect.

(j) Litigation. There is no litigation, arbitration, claim, investigation, suit, action or proceeding pending or, to the Knowledge of Reckson, threatened against or affecting Reckson or any Reckson Subsidiary or any of their respective property or assets that, individually or in the aggregate, constitutes or would reasonably be expected to result in a Reckson Material Adverse Effect, nor is there any such litigation, arbitration, claim, investigation, suit, action or proceeding or any Order outstanding against Reckson or any Reckson Subsidiary or any of their respective properties or assets which in any manner challenges or seeks to prevent or enjoin, alter or materially delay the Merger or the Partnership Merger.

(k) Taxes. Except as would not, individually or in the aggregate, have a Reckson Material Adverse Effect:

(i) (A) Reckson and each Reckson Subsidiary has timely filed or has had timely filed on its behalf (taking into account extensions) all Tax Returns (as defined herein) required to be filed by it or on its behalf, and all such Tax Returns were, at the time filed, true, correct and complete; (B) Reckson and each Reckson Subsidiary has paid (or Reckson has paid on behalf of such Reckson Subsidiary) all Taxes required to be paid by it (in each case of clause (A) or (B), except with respect to matters for which appropriate reserves have been established in accordance with GAAP); (C) as of the date hereof, there are no audits, examinations or other proceedings relating to any Taxes of Reckson or any Reckson Subsidiary pending or, to the Knowledge of Reckson, threatened in writing; (D) all deficiencies asserted or assessments made with respect to Reckson or any of the Reckson Subsidiaries as a result of any examination by the IRS or any other taxing authority have been paid in full; (E) no requests for waivers of the time to assess any Taxes against Reckson or any Reckson Subsidiary have been granted and remain in effect; (F) there are no Liens for any material Taxes on any assets of Reckson or any Reckson Subsidiary other than Liens for Taxes not yet due or payable or which are being contested in good faith through appropriate proceedings; (G) to the Knowledge of Reckson, no claim has been made by a taxing authority in a jurisdiction in which income Tax Returns are not filed by or on behalf of Reckson or any Reckson Subsidiary that Reckson or any such Reckson Subsidiary is or may be subject to income taxation by that jurisdiction; and (H) all material Taxes required to be withheld in connection with amounts paid or owing to any employee, creditor, shareholder or other third party have been timely withheld and, to the extent required prior to the date hereof, have been paid to the relevant Tax authority.

(ii) Reckson (A) for each taxable period beginning with the taxable period ending December 31, 1995 through the taxable period ending December 31, 2005, has been subject to taxation as a real estate investment trust within the meaning of Section 856 of the Code (a "REIT") and has satisfied all requirements to qualify as a REIT for such periods; (B) has operated since January 1, 2006, to the date of this representation in a manner consistent with the requirements for qualification and taxation as a REIT; and (C) intends to continue to operate in such a manner as to qualify as a REIT for the taxable period ending on the Closing Date.

(iii) Neither Reckson nor any Reckson Subsidiary is a party to (A) any Tax allocation or sharing agreement other than any agreement solely between Reckson and any Reckson Subsidiary or (B) any Tax Protection Agreement.

(iv) Neither Reckson nor any Reckson Subsidiary has any liability for Taxes of any Person other than Reckson and the Reckson Subsidiaries under Treasury Regulation Section 1.1502-6 (or any similar provision of state, local or foreign Law), as a transferee or successor.

(v) Neither Reckson nor any Reckson Subsidiary has participated in a "listed transaction" within the meaning of Treasury Regulation Section 1.6011-4(b)(2).

(vi) Each Reckson Subsidiary that is a partnership, joint venture or limited liability company has since the date it became a Subsidiary been classified for U.S. federal income tax purposes as a partnership or disregarded entity, as the case may be, and not as an association taxable as a corporation, or as a "publicly traded partnership" within the meaning of Section 7704(b) of the Code.

(l) Benefit Plans.

(i) Section 3.1(l)(i) of the Reckson Disclosure Letter sets forth a true and complete list of each material employee benefit plan, program, policy, practices, or other arrangement providing benefits to any current or former employee, officer or director of Reckson or any Reckson Subsidiary or any beneficiary or dependent thereof that is sponsored or maintained by Reckson or any Reckson Subsidiary or to which Reckson or any Reckson Subsidiary contributes or is obligated to contribute, whether or not written, including, without limitation, any employee welfare benefit plan (within the meaning of Section 3(1) of the Employee Retirement Income Security Act of 1974, as amended ("ERISA")), any employee pension benefit plan (within the meaning of Section 3(2) of ERISA) (whether or not such plan is subject to ERISA) and any bonus, incentive, deferred compensation, vacation, insurance, stock purchase, stock option, equity or equity based plan or award, severance, employment, change of control or fringe benefit plan, program or agreement, other than any "multiemployer plan" within the meaning of Section 4001(a)(3) of ERISA and any other plan, program or arrangement maintained by an entity other than Reckson or an Reckson Subsidiary pursuant to the Collective Bargaining Agreements (as defined below) (collectively, the "RECKSON EMPLOYEE BENEFIT PLANS").

(ii) Each of the Reckson Employee Benefit Plans has been operated and administered in all material respects with applicable Law, including, but not limited to, ERISA, the Code and, in each case, the regulations thereunder; (B) each of the Reckson Employee Benefit Plans intended to be "qualified" (within the meaning of Section 401(a) of the Code) has received a favorable determination letter from the Internal Revenue Service, or has pending an application for such determination from the Internal Revenue Service with respect to those provisions for which the remedial amendment period under Section 401(b) of the Code has not expired, and Reckson is not aware of any reason why any such determination letter should be revoked; (C) no Reckson Employee Benefit Plan is subject to Title IV or Section 302 of ERISA or Section 412 or 4971 of the Code; (D) no Reckson Employee Benefit Plan provides benefits, including, without limitation, death or medical benefits (whether or not insured), with respect to current or former employees or beneficiary or covered dependent of an employee or former employee or directors of Reckson or any Reckson Subsidiary beyond their retirement or other termination of service, other than (1) coverage mandated by applicable Law or (2) death benefits or retirement benefits under any "employee pension plan" (as such term is defined in Section 3(2) of ERISA); (E) no Controlled Group Liability (as defined herein) has been incurred by Reckson or any Reckson Subsidiary that has not been satisfied in full, and no condition exists that shall result in Reckson or any Reckson Subsidiary of incurring any such liability that would be material to Reckson; (F) all contributions or other amounts payable by Reckson or a Reckson Subsidiary with respect to each Reckson Employee Benefit Plan in respect of current or prior plan years have been paid or accrued in accordance with GAAP; (G) neither Reckson nor a Reckson Subsidiary has engaged in a transaction in connection with which Reckson or a Reckson Subsidiary reasonably could be subject to either a material civil penalty assessed pursuant to Section 409 or 502(i) of ERISA or a material Tax imposed pursuant to Section 4975 or 4976 of the Code; (H) there are no pending, threatened or anticipated claims (other than routine claims for benefits) by, on behalf of or against any of the Reckson Employee Benefit Plans or any trusts related thereto plan which could reasonably be expected to result in any material liability of Reckson or any Reckson Subsidiary; (I) since March 31, 2006, neither Reckson nor its Subsidiaries has agreed or otherwise committed to, whether in writing or otherwise, increase or improve the compensation, benefits or terms and conditions of employment or service of any director, officer, employee or consultant other than as required under an applicable Reckson Employee Benefit Plan or pursuant to the terms of a Collective Bargaining Agreement; (J) except as indicated in Section 3.1(l)(i) of the Reckson Disclosure, no Reckson Employee Benefit Plans exists which could result in the payment of material amount of money or any other property or rights, or accelerate or provide any other material rights or benefits, or require the payment of amounts or benefits that would not be deductible under 280G of the Code, to any current or former employee, director or consultant of Reckson or any Subsidiary that would not have been required but for the transactions contemplated by this Agreement; and (K) each Reckson Employee Benefit Plan may be amended and terminated in accordance with its terms.

(m) Labor Matters. Section 3.1(m) of the Reckson Disclosure Letter sets forth a list of each collective bargaining agreement to which Reckson or an Reckson Subsidiary is a party with respect to employees of Reckson and the Reckson Subsidiaries (collectively, the "COLLECTIVE BARGAINING AGREEMENTS"). With respect to employees of Reckson and the Reckson Subsidiaries, except as would not, individually or in the aggregate, have an Reckson Material Adverse Effect, (i) Reckson and each of the Reckson Subsidiaries is in compliance with the terms of the Collective Bargaining Agreements; (ii) except as set forth in Section 3.1(m) of the Reckson Disclosure Letter, none of Reckson, any Subsidiary or any ERISA Affiliate has at any time since January 1, 2004 withdrawn in any complete or partial withdrawal from any "multiemployer plan" as defined in Section 3(37) of ERISA and, if Reckson, its Subsidiaries and each ERISA Affiliate were to, as of the date hereof, completely withdraw from all multiemployer plans in which any of them participate, or to which any of them otherwise have any obligation to contribute, neither Reckson, any Subsidiary nor any ERISA Affiliate would incur a withdrawal liability that would result in a Reckson Material Adverse Effect; and (iii) neither Reckson nor any Reckson Subsidiary is the subject of a proceeding asserting it has committed an unfair labor practice, nor, to the Knowledge of Reckson, is any such proceeding threatened, nor is there any strike or other labor dispute by the employees of Reckson or any Reckson Subsidiary pending or threatened, nor does Reckson have Knowledge of any activity involving any employee of Reckson or any Reckson Subsidiary seeking to certify an additional collective bargaining unit or engaging in union organizational activity.

(n) Environmental Matters.

(i) Neither Reckson nor any Reckson Subsidiary is in violation of any applicable Law or Order relating to pollution or protection of public health and safety, the environment (including indoor or ambient air, surface water, groundwater, land surface or subsurface) or natural resources, including laws and regulations relating to the release or threatened release of any pollutant, contaminant, waste or toxic substance, including asbestos or any substance containing asbestos, polychlorinated biphenyls, petroleum or petroleum products (including crude oil and any fraction thereof), radon, mold, fungus and other hazardous biological materials (collectively, "HAZARDOUS MATERIALS") or to the manufacture, management, possession, presence, generation, processing, distribution, use, treatment, storage, disposal, transportation, abatement, removal, remediation or handling of, or exposure to, Hazardous Materials (collectively, "ENVIRONMENTAL LAWS"), except for any violation that, individually or in the aggregate, would not constitute a Reckson Material Adverse Effect; and

(ii) Neither Reckson nor the Reckson Subsidiaries have received any written notice of, and there are no, pending administrative, regulatory or judicial actions, suits, demands, demand letters, claims, liens, notices of noncompliance or violation, investigation or proceedings relating to Hazardous Materials or any Environmental Law against or affecting Reckson or any of the Reckson Subsidiaries or any of the Reckson Properties (as defined herein) that have not been remedied or cured, and to the Knowledge of Reckson and the Operating Partnership there is no basis therefor, in each case, except as would not, individually or in the aggregate, have a Reckson Material Adverse Effect.

(iii) Neither Reckson nor any Reckson Subsidiary has entered into, agreed to or is bound by any material consent decree or order or is a party to any material judgment, decree or judicial order relating to compliance with Environmental Laws or the investigation, sampling, monitoring, treatment, remediation, removal or cleanup of Hazardous Materials.

(o) Properties.

(i) Section 3.1(o)(i) of the Reckson Disclosure Letter sets forth a correct list of all real property owned or leased (as lessee) by the Operating Partnership or other Reckson Subsidiary (all such real property interests, together with all buildings, structures and other improvements and fixtures located on or under such real property and all easements, rights and other appurtenances to such real property, are individually referred to herein as an "RECKSON PROPERTY" and collectively referred to herein as the "RECKSON PROPERTIES").

(ii) The Operating Partnership or other Reckson Subsidiary owns fee simple title or leasehold title (as applicable) to each of the Reckson Properties, in each case, free and clear of Liens, mortgages or deeds of trust, claims against title, charges that are Liens, security interests or other encumbrances on title, rights of way, restrictive covenants, declarations or reservations of an interest in title (collectively, "ENCUMBRANCES"), except for the following (collectively, the "PERMITTED TITLE EXCEPTIONS"): (A) Encumbrances set forth in Section 3.1(o)(ii) of the Reckson Disclosure Letter or relating to debt obligations reflected in the Company's financial statements and the notes thereto (including with respect to debt obligations which are not consolidated), (B) Encumbrances that result from any statutory or other Liens for Taxes or assessments that are not yet due or delinquent or the validity of which is being contested in good faith by appropriate proceedings; (C) any Material Contracts (as defined herein) (only to the extent that the same encumbers or affects title to real property), or leases to third parties for the occupation of portions of the Reckson Properties by such third parties in the ordinary course of the business of Reckson or the Operating Partnership, (D) Encumbrances imposed or promulgated by Law or any Governmental Entity, including zoning regulations, (E) Encumbrances disclosed on existing title policies made available to the Purchaser Parties prior to the date hereof, (F) any cashiers', landlords', workers', mechanics', carriers', workmen's, repairmen's and materialmen's liens and other similar liens imposed by Law and incurred in the ordinary course of business, and (G) any other Encumbrances, limitations or title defects of any kind, if any, that, individually or in the aggregate, would not constitute a Reckson Material Adverse Effect.

(iii) Reckson and the Operating Partnership have made available to Purchaser all title insurance policies with respect to the Reckson Properties that are set forth on Section 3.1(o)(iii) of the Reckson Disclosure Letter. To Reckson's and the Operating Partnership's Knowledge, no material claim has been made under any such title insurance policy and each such title insurance policy is in full force and effect as of the date hereof.

(iv) No certificate, permit or license from any Governmental Entity having jurisdiction over any of the Reckson Properties or any agreement, easement or other right that is necessary to permit the lawful use and operation of the buildings and improvements on any of the Reckson Properties or that is necessary to permit the lawful use and operation of all parking areas, driveways, roads and other means of egress and ingress to and from any of the Reckson Properties has not been obtained and is not in full force and effect, and neither Reckson nor any Reckson Subsidiary has received written notice of any threat of modification or cancellation of any such certificate, permit or license, except for such notices, failures to obtain and to have in full force and effect, which would not, individually or in the aggregate, constitute a Reckson Material Adverse Effect and

(v) Neither Reckson nor any Reckson Subsidiary has received any written notice to the effect that (A) any condemnation or rezoning proceedings are pending or threatened with respect to any of the Reckson Properties, or (B) any zoning regulation or ordinance (including with respect to parking), board of fire underwriters rules, building, fire, health or other Law, code, ordinance, Order or regulation has been violated for any Reckson Property, which in the case of clauses (A) and (B) would, individually or in the aggregate, constitute a Reckson Material Adverse Effect.

(vi) Section 3.1(o)(vi) of the Reckson Disclosure Letter lists as of the date hereof each ground lease to which Reckson or any Reckson Subsidiary is party, as lessee or lessor. Each such ground lease is in full force and effect and is valid, binding and enforceable in accordance with its terms against the lessor or lessee thereunder, as applicable, and, to the Knowledge of Reckson, against the other parties thereto, except as would not constitute, individually or in the aggregate, a Reckson Material Adverse Effect. Except as would not constitute, individually or in the aggregate, a Reckson Material Adverse Effect, neither Reckson nor any Reckson Subsidiary, on the one hand, nor, to the Knowledge of Reckson, any other party, on the other hand, is in default under any such ground lease which default is reasonably likely to result in a termination of such ground lease. No purchase option has been exercised under any of such ground lease, except purchase options whose exercise has been evidenced by a written document as described in Section 3.1(o)(vi) of the Reckson Disclosure Letter. Reckson and the Operating Partnership have made available to Purchaser a correct and complete copy of each such ground lease and all material amendments thereto.

(vii) Neither Reckson nor any Reckson Subsidiary is a party to any agreement relating to the management of any of the Reckson Properties by a party other than Reckson or any wholly-owned Reckson Subsidiaries, except as disclosed Section 3.1(o)(vii) of the Reckson Disclosure Letter.

(viii) Reckson has made available to Purchaser true, correct and complete copies of the top 50 leases (measured by leasing revenue) that Reckson and its Subsidiaries, taken as a whole, are party to as a landlord or lessor with respect to each of the applicable Reckson Properties including all material amendments, modifications, supplements, renewals, and extensions thereto, in each case as in effect on the date hereof (the "RECKSON LEASES"). Neither Reckson nor any of the Reckson Subsidiaries, nor to the Knowledge of Reckson or the Operating Partnership, any tenant, has received written notification that they are in default under any Reckson Lease, except for defaults that would not, individually or in the aggregate, constitute a Reckson Material Adverse Effect.

(p) Insurance. Reckson or the Operating Partnership maintains insurance coverage with reputable insurers, or maintains self-insurance practices, in such amounts and covering such risks which in its good faith judgment are reasonable for the business of Reckson and the Reckson Subsidiaries (taking into account the cost and availability of such insurance). There is no claim by Reckson or any Reckson Subsidiary pending under any such policies which (A) has been denied or disputed by the insurer and (B) would constitute, individually or in the aggregate, a Reckson Material Adverse Effect.

(q) Opinion of Financial Advisor. As of the date hereof, the Committee of Independent Directors of the Reckson Board of Directors has received the Fairness Opinion.

(r) Votes Required. The affirmative vote of two-thirds of all the votes entitled to be cast by the holders of Reckson Common Shares (the "RECKSON SHAREHOLDER APPROVAL") are the only votes or consents required of the holders of any class or series of the Reckson Common Shares or other securities of or equity interests in Reckson required to approve this Agreement and to approve and consummate the Merger. The affirmative vote of a majority of the outstanding LP Units (the "RECKSON PARTNER APPROVAL") is the only vote or consent required of the holders of any class or series of the LP Units or other securities of or equity interests in the Operating Partnership required to approve this Agreement and to approve and consummate the Partnership Merger. No consent of holders of LP Units who receive Partnership Merger Consideration will be required to approve the Merger. Prior to the Effective Time, the Reckson Partner Approval will be duly and validly obtained.

(s) Brokers. Except for the fees and expenses payable to the Reckson Financial Advisor, Citigroup Global Markets Inc., and Greenhill & Co., no broker, investment banker or other Person is entitled to any brokers', finders' or other similar finders fee or commission in connection with the transactions contemplated by this Agreement based upon arrangements made by or on behalf of Reckson, any Reckson Subsidiary or any Affiliate thereof. Reckson has made available to Purchaser prior to the date of this Agreement true and complete copies of any agreement under which the Reckson Financial Advisor would be entitled to receive any payments in connection with this Agreement or the transactions contemplated hereby.

(t) Material Contracts.

(i) All of the Material Contracts of Reckson as in effect as of the date hereof are listed in Section 3.1(t)(i) of the Reckson Disclosure Letter or in the exhibit index set forth in a Covered Reckson SEC Disclosure. Reckson has, prior to the date hereof, made available to Purchaser (including by filing with the SEC) true and complete copies of each Material Contract as in effect as of the date hereof. All Material Contracts are valid, binding and enforceable and in full force and effect with respect to Reckson and the Reckson Subsidiaries, and to the Knowledge of Reckson, with respect to each other party to any such Material Contract, except where such failure to be so valid, binding and enforceable and in full force and effect do not and would not, individually or in the aggregate, constitute a Reckson Material Adverse Effect, and except, in each case, to the extent that enforcement of rights and remedies created by any Material Contracts are subject to bankruptcy, insolvency, fraudulent transfer, reorganization, moratorium and similar Laws of general application related to or affecting creditors' rights and to general equity principles.

(ii) Except as set forth in Section 3.1(t)(ii) of the Reckson Disclosure Letter, (A) neither Reckson nor any Reckson Subsidiary is in violation of or in default under (nor does there exist any condition which upon the passage of time or the giving of notice or both would cause such a violation of or default under) any Material Contract to which it is a party or by which it or any of its properties or assets is bound and (B) to the Knowledge of Reckson, as of the date hereof, there are no such violations or defaults (nor does there exist any condition which upon the passage of time or the giving of notice or both would cause such a violation or default) by any third party to any Material Contract, except, in either the case of clause (A) or (B), for those violations or defaults that, individually or in the aggregate, would not constitute a Reckson Material Adverse Effect. For purposes of this Agreement, "MATERIAL CONTRACTS" means (I) any loan agreement, letter of credit, indenture, note, bond, debenture, mortgage or any other document, agreement or instrument evidencing a capitalized lease obligation or other indebtedness to any Person, or any guaranty thereof, in excess of $25,000,000 (excluding letters of credit, performance bonds or guaranties entered into in the ordinary course of business), (II) any contracts entered into by Reckson or any Reckson Subsidiary that, by its terms, is not terminable within one year (without termination fee or penalty (other than customary tails in the case of brokerage contracts) and that may result in total payments by Reckson or any Reckson Subsidiary in excess of $10,000,000 other than any agreements with respect to Joint Venutres, any leases with respect to any Reckson Property, any development or construction contracts or, in each case, any related or ancillary agreement) , (III) any other agreements filed or required to be filed as exhibits to the Reckson SEC Documents pursuant to Item 601(b)(10) of Regulation S-K of Title 17, Part 229 of the Code of Federal Regulations, (IV) any interest rate cap, interest rate collar, interest rate swap, currency hedging transaction and any other agreement relating to a similar transaction to which Reckson or any Reckson Subsidiary is a party or an obligor with respect thereto, (V) any partnership or joint venture agreement with any third parties and (VI) any agreement, commitment, instrument or obligation of a type described in Section 3.1(t)(iii) and (iv) below.

(iii) There is no non-competition agreement or other contract or agreement that contains covenants that restrict in any material respect Reckson's or any Reckson Subsidiary's ability to compete in any line of business or with any Person in any geographical areas, except for Material Contracts of a type described elsewhere in the definition of Material Contracts.

(iv) Section 3.1(t)(iv) of the Reckson Disclosure Letter lists all agreements (other than agreements with respect to the Joint Ventures, and leases or subleases which contain options to purchase) entered into by Reckson or any Reckson Subsidiary as of the date hereof providing for the sale of, or option to sell, any Reckson Properties or any material interest therein or the purchase of, or option to purchase, by Reckson or any Reckson Subsidiary, on the one hand, or the other party thereto, on the other hand, any real estate or material interest therein not yet consummated as of the date hereof.

(u) Inapplicability of Takeover Statutes; Certain Charter and Bylaw Provisions; Rights Agreement.

(i) Reckson has taken all appropriate and necessary actions to exempt the Merger, the Partnership Merger, this Agreement and the other transactions contemplated thereby from the restrictions of any applicable provision of Subtitles 6 and 7 of Title 3 of the MGCL, as applicable to a Maryland corporation, and Title 8 (collectively, the "TAKEOVER STATUTE"). No other "control share acquisition", "fair price", "moratorium" or other antitakeover Laws apply to the Merger, the Partnership Merger, this Agreement or the other transactions contemplated hereby. Reckson and the Reckson Board of Directors have taken all appropriate and necessary actions to cause the Merger, the Partnership Merger, this Agreement and the other transactions contemplated hereby to comply with or be exempted from any provision contained in the Reckson Charter, Reckson Bylaws or in the comparable organizational document of any Reckson Subsidiary that would otherwise impose any limitations on ownership (the "OWNERSHIP LIMIT") of (1) Reckson Common Shares as set forth in the Reckson Charter and (2) the limited partner interests in the Operating Partnership as set forth in the Operating Partnership Agreement, including the ownership limit set forth in the Reckson Charter inapplicable to the Merger, Partnership Merger, the execution of and performance of the this Agreement and the transactions contemplated hereby.

(ii) As soon as practicable, the Reckson Board of Directors shall amend the Company Rights Agreement to render it inapplicable to the execution and delivery of this Agreement and the consummation of the transactions contemplated hereby and to provide that (A) none of the Purchaser Parties shall become an "Acquiring Person" as a result of the execution, delivery or performance of this Agreement and the consummation of the Merger, and (B) no "Distribution Date" shall occur as a result of the announcement of or the execution of this Agreement or the consummation of any of the transactions contemplated hereby. The amendment to the Company Rights Agreement shall be in full force and effect until immediately following the termination of this Agreement in accordance with its terms.

(v) Information Supplied. The information supplied by Reckson or any Reckson Subsidiary for inclusion in the Proxy Statement and the Form S-4 Registration Statement, or any amendment or supplement thereto, shall not, on the date the Proxy Statement is first mailed to Reckson Common Shareholders, at the time of the Reckson Shareholder Approval or at the Effective Time, contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading. For the avoidance of doubt, any information supplied in writing by any of the Purchaser Parties for inclusion in the Proxy Statement or the Form S-4 Registration Statement shall not be considered to have been supplied by Reckson or any Reckson Subsidiary for purposes of this representation.

(w) Investment Company Act of 1940. None of Reckson or any Reckson Subsidiary is, or after giving effect to the transactions contemplated by this Agreement will be, required to be registered as an investment company under the Investment Company Act of 1940, as amended.

Section 3.2. Representations and Warranties of Purchaser Parties. Except as set forth in (i) any Form 10-K, Form 10-Q, Form 8-K, or proxy statement, and in each case any amendment thereto, filed by Parent or the Parent Operating Partnership (as defined below) with the SEC on or after January 1, 2006 and prior to the date hereof (except in each case for the risk factors section and any forward looking statements contained in the Management's Discussion & Analysis) (the "COVERED PARENT SEC DISCLOSURE"), or (ii) the disclosure letter, dated the date hereof and delivered to Reckson in connection with the execution and delivery of this Agreement (the "PARENT DISCLOSURE LETTER"), each of the Purchaser Parties, jointly and severally represents and warrants to Reckson as follows:

(a) Organization, Standing and Power of the Purchaser Parties. Each of the Purchaser Parties is duly formed, validly existing and in good standing under the Laws of their jurisdiction of incorporation and has all of the requisite corporate power, authority and all necessary government approvals or licenses to own, lease, operate its properties and to carry on its business as now being conducted. Each of the Purchaser Parties is duly qualified or licensed to do business and is in good standing in each jurisdiction in which the nature of the business it is conducting, or the ownership, operation or leasing of its properties or the management of properties for others makes such qualification or licensing necessary, other than in such jurisdictions where the failure to be so qualified or licensed or in good standing would not, individually or in the aggregate, constitute a Parent Material Adverse Effect. Each of the Purchaser Parties (other than Parent) is wholly-owned by Parent. Wyoming Acquisition GP is the general partners of Wyoming Acquisition LP. Purchaser has heretofore made available to Reckson and the Operating Partnership complete and correct copies of the charter, bylaws or other organizational documents of each of the Purchaser Parties, each as amended to the date hereof and each as in full force and effect.

(b) Subsidiaries.

(i) Each Subsidiary of Parent is duly organized, validly existing and, as applicable, in good standing under the Laws of its jurisdiction of formation, and has all of the requisite corporate, partnership, limited liability company or other organizational power and authority and all necessary government approvals and licenses to own, lease and operate its properties and to carry on its business as now being conducted, except where the failure to have such approvals or licenses would not, individually or in the aggregate, constitute a Parent Material Adverse Effect. Each Subsidiary of Parent is duly qualified or licensed to do business and is in good standing in each jurisdiction in which the nature of its business or the ownership, operation or leasing of its properties or the management of properties for others makes such qualification or licensing necessary, other than in such jurisdictions where the failure to be so qualified or licensed or in good standing would not, individually or in the aggregate, constitute a Parent Material Adverse Effect. All outstanding equity interests in each Subsidiary of Parent have been duly authorized and are validly issued, fully paid and (except for general partnership interests) nonassessable, and are not subject to any preemptive rights, purchase options, call options, rights of first refusal, subscriptions or any similar rights and are owned by Parent and are so owned free and clear of all Liens, except as would not, individually or in the aggregate, constitute a Parent Material Adverse Effect.

(c) (i) Capital Structure. (A) The authorized shares of capital stock of Parent consist of an aggregate of 100,000,000 shares of Parent Common Stock, and 25,000,000 shares of preferred stock, $0.01 par value per share, of which 1,000,000 shares have been designated Series B Junior Participating Preferred Stock (the "PARENT SERIES B PREFERRED"), 6,440,000 shares have been designated Series C Preferred Stock (the "PARENT SERIES C PREFERRED"), and 4,000,000 shares have been designated Series D Preferred Stock (the "PARENT SERIES D PREFERRED"), and 75,000,000 shares of Excess Stock, $0.01 par value per share. As of July 31, 2006, 45,770,217 shares of Parent Common Stock are issued and outstanding, no shares of Parent Series B Preferred are issued and outstanding, 6,300,000 shares of Parent Series C Preferred are issued and outstanding and 4,000,000 shares of Parent Series D Preferred are issued and outstanding. No shares of Parent capital stock have been issued since July 31, 2006 and prior to the date hereof other than in accordance with the exercise of awards under employee benefit plans. All outstanding shares of Parent are duly authorized, validly issued, fully paid and nonassessable and not subject to or issued in violation of, any preemptive right, purchase option, call option, right of first refusal, subscription or any similar right. The shares of Parent Common Stock to be issued in the Mergers, when issued in accordance with the terms of this Agreement, will be duly authorized, validly issued, fully paid and nonassessable, and free and clear of all Liens other than Liens created by or imposed upon the holders thereof. Each share of Parent Common Stock to be issued in the Mergers shall carry the same number of Parent Rights as each other share of Parent Common Stock.

(B) As of the date hereof, there are no issued and outstanding or reserved for issuance: (1) shares or other equity securities of Parent; (2) restricted shares of Parent Common Stock or performance stock awards relating to the equity interests of Parent; (3) securities of Parent or any Subsidiary of Parent convertible into or exchangeable for stock or other equity securities of Parent or any Subsidiary of Parent; and (4) subscriptions, options, warrants, conversion rights, stock appreciation rights, "phantom" stock, stock units, calls, claims, rights of first refusal, rights (including preemptive rights), commitments, arrangements or agreements to which Parent or any Subsidiary of Parent is a party or by which it is bound in any case obligating Parent or any Subsidiary of Parent to issue, deliver, sell, purchase, redeem or acquire, or cause to be issued, delivered, sold, purchased, redeemed or acquired, stock or other equity securities of Parent or of any Subsidiary of Parent, or obligating Parent or any Subsidiary of Parent to grant, extend or enter into any such subscription, option, warrant, conversion right, stock appreciation right, call, right, commitment, arrangement or agreement, except, in each case, as set forth in this Section 3.2(c) or pursuant to the Preferred Share Purchase Rights (the "PARENT RIGHTS") issued pursuant to the Rights Agreement (the "PARENT RIGHTS AGREEMENT"), dated as of or about March 6, 2000 between the Company and the Rights Agent. All outstanding shares of Parent are, and all shares reserved for issuance will be, upon issuance in accordance with the terms specified in the instruments or agreements pursuant to which they are issuable, duly authorized, validly issued, fully paid and nonassessable and not subject to or issued in violation of, any preemptive right, purchase option, call option, right of first refusal, subscription or any other similar right.

(ii) Miscellaneous. (A) Except for this Agreement, there are not any (i) shareholder agreements, voting trusts, proxies or other agreements or understandings relating to the voting of any shares of Parent to which Parent or any Subsidiary of Parent is a party or by which it is bound or (ii) agreements or understandings relating to the sale or transfer (including agreements imposing transfer restrictions) of any shares of Parent to which Parent or any Subsidiary of Parent is a party or by which it is bound.

(B) No holder of securities in Parent or any Subsidiary of Parent has any right to have the offering or sale of such securities registered by Parent or any Parent Subsidiary, as the case may be.

(d) Authority; No Violations; Consents and Approvals.

(i) Each of the Purchaser Parties has all requisite corporate or partnership power and authority to enter into this Agreement and to consummate the transactions contemplated hereby, subject the filing of Articles of Merger pursuant to the MGCL and the filing of the Partnership Certificate of Merger pursuant to the DRULPA. The execution and delivery of this Agreement and the consummation of the transactions contemplated hereby have been duly authorized by all necessary corporate, or other organizational action on the part of Parent and each applicable Parent Subsidiary, and no vote or consent of any holders of any securities of Parent or any of its Subsidiaries is required with respect to the consummation of the transactions contemplated hereby.

(ii) This Agreement has been duly executed and delivered by each of the Purchaser Parties, and, assuming due authorization and delivery by Reckson and the Operating Partnership, constitutes a valid and binding obligations of such Purchaser Parties, enforceable against such Purchaser Parties in accordance with its terms, except as such enforceability may be limited by bankruptcy, insolvency, reorganization, moratorium and other Laws of general applicability relating to or affecting creditors' rights and by general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law).

(iii) The execution and delivery by each of the Purchaser Parties of this Agreement does not, and the consummation of the transactions contemplated hereby, and compliance by each of the Purchaser Parties with the provisions hereof, will not, conflict with, or result in any violation of, or default (with or without notice or lapse of time, or both) under, or give rise to a right of termination, cancellation or acceleration of any material obligation under, require the consent or approval under, any provision of (A) the charter, bylaws or comparable organizational documents of any of the Purchaser Parties or the Parent Operating Partnership or any of their respective Subsidiaries, (B) any material contract, agreement or commitment of any of the Purchaser Parties or any of their respective Subsidiaries, or any guarantee by any of the Purchaser Parties or any of their respective Subsidiaries, or (C) assuming the consents, approvals, authorizations or permits and filings or notifications referred to in Section 3.2(d)(iv) are duly and timely obtained or made, any Law or Order applicable to or binding on any of the Purchaser Parties or any of their respective Subsidiaries, properties or assets, other than, in the case of clauses (B) and (C), any such conflicts, violations, defaults, rights, Liens or detriments that, individually or in the aggregate, would not reasonably be expected to materially impair or delay the ability of any of the Purchaser Parties to perform its obligations under this Agreement or prevent the consummation by any of the Purchaser Parties of any of the transactions contemplated hereby.

(iv) No consent, approval, Order or authorization of, or registration, declaration or filing with, or permit from, any Governmental Entity is required by or on behalf of any of the Purchaser Parties or any of their respective Subsidiaries in connection with the execution and delivery by any of the Purchaser Parties of this Agreement or the consummation by any of the Purchaser Parties of the transactions contemplated hereby, except for: (A) compliance with the Exchange Act and the rules and regulations thereunder as may be required in connection with this Agreement and the transactions contemplated hereby; (B) the filing of the Articles of Merger and the acceptance for record of the Articles of Merger pursuant to the MGCL; (C) the filing of the Partnership Certificate of Merger and the acceptance for record of the Partner Certificate of Merger pursuant to the DRULPA; (D) such filings and approvals as may be required by any applicable state securities or "blue sky" Laws; (E) compliance with the rules and regulations of the New York Stock Exchange; and (F) any such other consent, approval, Order, authorization, registration, declaration, filing or permit that the failure to obtain or make, individually or in the aggregate, would not reasonably be expected to materially impair or delay the ability of any of the Purchaser Parties to perform its obligations hereunder or prevent the consummation by them of any of the transactions contemplated hereby.

(e) SEC Documents; Financial Statements. Parent has made available to Reckson (by public filing with the SEC or otherwise) a true and complete copy of each report, schedule, registration statement, other statement (including proxy statements) and information filed by Parent with the SEC since January 1, 2003 (the "PARENT SEC DOCUMENTS"), which are all the documents (other than preliminary material) that Parent was required to file with the SEC since January 1, 2003 pursuant to the federal securities Laws and the SEC rules and regulations thereunder. As of their respective dates, the Parent SEC Documents complied in all material respects with the requirements of the Securities Act, the Sarbanes-Oxley Act of 2002 and the Exchange Act, as applicable, and the rules and regulations of the SEC thereunder applicable to such Parent SEC Documents, in each case, as in effect at such time, and none of the Parent SEC Documents contained any untrue statement of a material fact or omitted to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading, except to the extent such statements have been modified or superseded by later Parent SEC Documents filed and publicly available prior to the date of this Agreement. No Parent Subsidiary is required (by contract or applicable Law) to make periodic filings with the SEC. The consolidated financial statements of Parent (including the notes thereto) included or incorporated by reference in the Parent SEC Documents (including the audited consolidated balance sheet of Parent as at December 31, 2005 (the "PARENT BALANCE SHEET") and the unaudited consolidated statements of income for the three months ended March 31, 2006) complied as to form in all material respects with the applicable accounting requirements and the published rules and regulations of the SEC with respect thereto, were prepared in accordance with GAAP applied on a consistent basis during the periods involved (except as may be indicated in the notes thereto, or, in the case of the unaudited statements, as permitted by Rule 10-01 of Regulation S-X of the SEC) and fairly present, in accordance with applicable requirements of GAAP and the applicable rules and regulations of the SEC (subject, in the case of the unaudited statements, to normal, recurring adjustments, none of which are material), in each case, as in effect at such time, the assets, Liabilities and the consolidated financial position of Parent and its Subsidiaries, taken as a whole, as of their respective dates and the consolidated results of operations and cash flows of Parent and its Subsidiaries taken as a whole, for the periods presented therein. Since the enactment of the Sarbanes-Oxley Act of 2002, Parent has been and is in compliance in all material respects with the applicable provisions thereof and the rules and regulations promulgated thereunder.

(f) Information Supplied. The information supplied by any of the Purchaser Parties for inclusion in the Form S-4 Registration Statement and the Proxy Statement, or any amendment or supplement thereto, shall not, on the date the Proxy Statement is first mailed to Reckson Common Shareholders, at the time of the Reckson Shareholder Approval or at the Effective Time, contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading. For the avoidance of doubt, any information supplied in writing by Reckson or the Operating Partnership for inclusion in the Proxy Statement or the Form S-4 Registration Statement shall not be considered to have been supplied by any of the Purchaser Parties for purposes of this representation.

(g) Absence of Certain Changes or Events. Since the date of the Parent Balance Sheet, each of Parent and the Parent Subsidiaries have conducted their business only in the ordinary course and there has not been: (i) a Parent Material Adverse Effect; (ii) any declaration, setting aside for payment or payment of any dividend or other distribution (whether in cash, stock or property) with respect to any of the Parent Common Stock (other than regular quarterly cash dividends of $0.60 per Parent Common Share and cash dividends after the date of this Agreement expressly permitted by Section 4.2);(iii) any amendment of any material term of any outstanding security of Parent or of SL Green Operating Partnership, L.P. (the "PARENT OPERATING PARTNERSHIP") ; (iv) any repurchase, redemption or other acquisition by Parent or any Parent Subsidiary of any outstanding shares, stock or other securities of, or other ownership interests in, Parent or the Parent Operating Partnership (except (x) in connection with Parent employee benefit plans, or (y) in connection with the use of Parent Common Stock to pay the exercise price or Tax withholding obligation upon the exercise of a Parent Option); or (v) any change in any method or practice of financial accounting by Parent or any consolidated Parent Subsidiary other than any change after the date of this Agreement permitted by Section 4.2.

(h) No Undisclosed Material Liabilities. Except as disclosed in the Parent SEC Documents filed prior to the date hereof, there are no Liabilities of Parent or any of the Parent Subsidiaries, whether accrued, contingent, absolute or determined other than: (i) Liabilities reflected on the financial statements (including the notes thereto), or (ii) Liabilities incurred in the ordinary course of business consistent with past practice since the date of the Balance Sheet as would not, individually or in the aggregate, constitute a Parent Material Adverse Effect.

(i) No Default. Neither Parent nor any of the Parent Subsidiaries is or has been in default or violation (and no event has occurred which, with notice or the lapse of time or both, would constitute a default or violation) of (i) any material term, condition or provision of Parent's Articles of Incorporation (the "PARENT CHARTER") or Parent's Amended and Restated Bylaws (the "PARENT BYLAWS") or the comparable charter or organizational documents (for the avoidance of doubt, the occurrence of any event that is reasonably likely to result in Parent ceasing to be qualified as a REIT shall be deemed to be material), of any of the Parent Operating Partnership, (ii) any term, condition or provision of any loan or credit agreement or any note, bond, mortgage, indenture, lease or other agreement, instrument, permit, concession, franchise or license to which Parent or any of the Parent Subsidiaries is now a party or by which Parent or any of the Parent Subsidiaries or any of their respective properties or assets is bound, or (iii) any Law or Order applicable to or binding upon Parent or any of the Parent Subsidiaries or any of their respective properties or assets, except, in the case of clauses (ii) and (iii), for defaults or violations that, individually or in the aggregate, have not constituted, and would not constitute, a Parent Material Adverse Effect.

(j) Compliance with Applicable Laws. Parent and the Parent Subsidiaries hold all permits, licenses, certificates, registrations, variances, exemptions, Orders, franchises and approvals of all Governmental Entities necessary or required by any applicable Law or Order for the lawful conduct of their respective businesses (the "PARENT PERMITS"), except where the failure so to hold, individually or in the aggregate, does not constitute and would not reasonably be expected to result in a Parent Material Adverse Effect. Parent and the Parent Subsidiaries are in compliance with the terms of the Parent Permits, except where the failure to so comply, individually or in the aggregate, does not constitute and would not reasonably be expected to result in a Parent Material Adverse Effect. Except as would not, individually or in the aggregate, constitute and would not reasonably be expected to result in a Parent Material Adverse Effect, the businesses of Parent and the Parent Subsidiaries are not being and have not been conducted in violation of any Law or Order. No investigation or review by any Governmental Entity with respect to Parent or any of the Parent Subsidiaries is pending or, to the Knowledge of Parent, is threatened, other than those the outcome of which, individually or in the aggregate, would not constitute a Parent Material Adverse Effect.

(k) Litigation. There is no litigation, arbitration, claim, investigation, suit, action or proceeding pending or, to the Knowledge of Parent, threatened against or affecting Parent or any Parent Subsidiary or any of their respective property or assets that, individually or in the aggregate, that would reasonably be expected to result in a Parent Material Adverse Effect, nor is there any such litigation, arbitration, claim, investigation, suit, action or proceeding or any Order outstanding against Parent or any Parent Subsidiary or any of their respective properties or assets which in any manner challenges or seeks to prevent or enjoin, alter or materially delay the Merger or the Partnership Merger.

(l) Taxes. Except as would not, individually or in the aggregate, have a Parent Material Adverse Effect:

(i) (A) Parent and each Parent Subsidiary has timely filed or has had timely filed on its behalf (taking into account extensions) all Tax Returns (as defined herein) required to be filed by it or on its behalf, and all such Tax Returns were, at the time filed, true, correct and complete; (B) Parent and each Parent Subsidiary has paid (or Parent has paid on behalf of such Parent Subsidiary) all Taxes required to be paid by it (in each case of clause (A) or (B), except with respect to matters for which appropriate reserves have been established in accordance with GAAP).

(ii) Parent (A) for each taxable period beginning with its date of formation through December 31, 2005, has been subject to taxation as a REIT within the meaning of Section 856 of the Code and has satisfied all requirements to qualify as a REIT for such periods; (B) has operated since January 1, 2006, to the date of this representation in a manner consistent with the requirements for qualification and taxation as a REIT; and (C) intends to continue to operate in such a manner as to qualify as a REIT.

(m) Environmental Matters.

(i) Neither Parent nor any Parent Subsidiary is in violation of any applicable Environmental Laws except for any violation that, individually or in the aggregate, would not constitute a Parent Material Adverse Effect; and

(ii) Neither Parent nor any Subsidiary of Parent has received any written notice of, and there are no, pending administrative, regulatory or judicial actions, suits, demands, demand letters, claims, liens, notices of noncompliance or violation, investigation or proceedings relating to Hazardous Materials or any Environmental Law against, and to the Knowledge of Parent and the Operating Partnership there is no basis therefor, or affecting Parent or any of the Parent Subsidiaries or any of the Parent Properties (as defined herein), that have not been remedied or cured, and to the Knowledge of Parent there is no basis therefore in each case except as would not, individually or in the aggregate, have a Parent Material Adverse Effect.

(n) Funding. Purchaser has previously delivered to Reckson a complete and correct copy of a fully executed financing commitment (the "FINANCING COMMITMENT,") , whereby the financial institution party thereto has committed, subject to the terms and conditions set forth therein, to provide debt Financing in connection with the transactions contemplated by this Agreement Parent has available to it all financing necessary to consummate the transactions contemplated by this Agreement in accordance with the terms hereof. The Financing Commitment is in full force and effect and is the valid, binding and enforceable obligation of the parties thereto. There are no conditions precedent or other contingencies related to the funding of the full amount of the financing contemplated by the Financing Commitment other than as set forth therein. No event has occurred which, with or without notice, lapse of time or both, would constitute a default on the part of any of the Purchaser Parties under the Financing Commitment, and none of the Purchaser Parties has any reason to believe that any of the conditions to the financings contemplated by the Financing Commitment will not be satisfied or that any financing will not be made available to the Purchaser Parties at the Closing.

(o) No Other Business. Each of Wyoming Acquisition Corp., Wyoming Acquisition GP and Wyoming Acquisition LP was formed solely for the purpose of engaging in the transactions contemplated hereby, has engaged in no other business activities and has conducted its operations only as contemplated thereby.

(p) Brokers. No broker, investment banker or other Person is entitled to any brokers', finders' or other similar fee or commission in connection with the transactions contemplated by this Agreement based upon arrangements made by or on behalf of the Purchaser Parties, for which fee or commission Reckson or any Reckson Subsidiary may be liable.

(q) Material Contracts.

(i) All of the Parent Material Contracts as in effect as of the date hereof are listed in the exhibit index set forth in a Covered Parent SEC Disclosure. Parent has, prior to the date hereof, made available to Reckson (including by filing with the SEC) true and complete copies of each Parent Material Contract as in effect as of the date hereof. All Parent Material Contracts are valid, binding and enforceable and in full force and effect with respect to Parent and the Parent Subsidiaries, and to the Knowledge of Parent, with respect to each other party to any such Parent Material Contract, except where such failure to be so valid, binding and enforceable and in full force and effect do not and would not, individually or in the aggregate, constitute a Parent Material Adverse Effect, and except, in each case, to the extent that enforcement of rights and remedies created by any Material Contracts are subject to bankruptcy, insolvency, fraudulent transfer, reorganization, moratorium and similar Laws of general application related to or affecting creditors' rights and to general equity principles.

(ii) (A) neither Parent nor any Parent Subsidiary is in violation of or in default under (nor does there exist any condition which upon the passage of time or the giving of notice or both would cause such a violation of or default under) any Parent Material Contract to which it is a party or by which it or any of its properties or assets is bound and (B) to the Knowledge of Parent, as of the date hereof there are no such violations or defaults (nor does there exist any condition which upon the passage of time or the giving of notice or both would cause such a violation or default) by any third party to any Parent Material Contract, except, in either the case of clause (A) or (B), for those violations or defaults that, individually or in the aggregate, would not constitute a Parent Material Adverse Effect. For purposes of this Agreement, "PARENT MATERIAL CONTRACTS" means any agreements filed or required to be filed as exhibits to the Parent SEC Documents pursuant to Item 601(b)(10) of Regulation S-K of Title 17, Part 229 of the Code of Federal Regulations.

(r) Solvency.

(i) Immediately after giving effect to the Mergers and the transactions contemplated hereunder, including the payment of the Merger Consideration, the financing of the transactions contemplated hereby (and any other repayment or refinancing of debt contemplated in this Agreement or the Financing Commitments), and payment of all related fees and expenses, (i) the fair value of the assets of the Surviving Company (individually) and the Surviving Company and its Subsidiaries on a consolidated basis, at a fair valuation, will exceed the debts and Liabilities, direct, subordinated, contingent or otherwise, of the Surviving Company (individually) and the Surviving Company and its Subsidiaries on a consolidated basis, respectively; (ii) the present fair saleable value of the property of the Surviving Company (individually) and the Surviving Company and its Subsidiaries on a consolidated basis, will be greater than the amount that will be required to pay the probable Liability of the Surviving Company (individually) and the Surviving Company and its Subsidiaries on a consolidated basis, respectively, on their debts and other Liabilities, direct, subordinated, contingent or otherwise, as such debts and other Liabilities become absolute and matured; (iii) the Surviving Company (individually) and the Surviving Company and its Subsidiaries on a consolidated basis will be able to pay their debts and Liabilities, direct, subordinated, contingent or otherwise, as such debts and Liabilities become absolute and matured; and (iv) the Surviving Company (individually) and the Surviving Company and its Subsidiaries on a consolidated basis will not have unreasonably small capital with which to conduct the businesses in which they are engaged as such businesses are now conducted and are proposed to be conducted following the Closing Date.

(ii) On the Closing Date, neither Purchaser nor the Surviving Company will, and the Surviving Company will cause its Subsidiaries not to, incur debts beyond its ability to pay such debts as they mature, taking into account the timing and amounts of cash to be received by it or any such Subsidiary and the timing and amounts of cash to be payable on or in respect of its indebtedness or the indebtedness of any such Subsidiary.

(s) Investment Company Act of 1940. None of Parent or any Parent Subsidiary is, or after giving effect to the transactions contemplated by this Agreement will be, required to be registered as an investment company under the Investment Company Act of 1940, as amended.

ARTICLE IV

COVENANTS RELATING TO CONDUCT OF BUSINESS PENDING THE MERGERS

Section 4.1. Conduct of Business by Reckson. (a) During the period from the date of this Agreement to the earlier of the termination of this Agreement or the Partnership Merger Effective Time, Reckson and the Operating Partnership shall, and shall cause each of the other Reckson Subsidiaries to except as otherwise expressly contemplated by this Agreement or to the extent consented to by Purchaser in writing (i) carry on its businesses in the usual, regular and ordinary course consistent with past practice and (ii) to the extent consistent with the foregoing clause (i), use its commercially reasonable efforts to preserve intact in all material respects its current business organization, goodwill, ongoing businesses and relationships with third parties, to keep available the services of their present officers and employees and to maintain the status of Reckson and each applicable Reckson Subsidiary as a REIT within the meaning of Section 856 of the Code.

(b) Without limiting the generality of the foregoing, during the period from the date of this Agreement to the earlier of the termination of this Agreement or the Partnership Merger Effective Time, except as otherwise expressly provided or permitted by this Agreement, as set forth in Section 4.1(b) of the Reckson Disclosure Letter, to the extent consented to by Parent in writing (which consent shall not be unreasonably withheld, delayed or conditioned), in connection with Reckson New York Property Trust, as contemplated by Reckson Employee Benefit Plans, as required by existing agreements, or as required by Reckson or its Affiliates duties to joint venture partners or minority shareholders of any Reckson Affiliate, Reckson and the Operating Partnership shall not and shall not authorize or commit or agree to, and shall cause the other Reckson Subsidiaries not to (and not to authorize or commit or agree to):

(i) (A) declare, set aside for payment or pay any dividends on, or make any other actual, constructive or deemed distributions (whether in cash, shares, property or otherwise) in respect of, any of Reckson's shares, stock or the partnership interests, shares, stock or other equity interests in any Reckson Subsidiary that is not directly or indirectly wholly owned by Reckson, other than (i) regular, cash distributions at a rate not in excess of $0.4246 per share of Reckson Common Shares, declared and paid quarterly, (ii) applicable distributions payable to holders of LP Units, GP Units and Reckson RSUs and (iii) pro rata dividends or distributions, declared, set aside or paid by any non-wholly-owned Reckson Subsidiary to Reckson or any Reckson Subsidiary; provided that Reckson may declare and pay dividends or distributions to the extent required to maintain its status as a REIT or to eliminate any U.S. federal income or excise Taxes otherwise payable, (B) except as set forth in Section 4.1(b) of the Reckson Disclosure Letter or pursuant to the terms of any LP Units or Reckson Employee Benefit Plans (or the award agreements thereunder), split, combine or reclassify any shares, stock, partnership interests or other equity interest or issue or authorize the issuance of any securities in respect of, in lieu of or in substitution for shares of such shares, stock, partnership interests or other equity interests or (C) purchase, redeem or otherwise acquire any Reckson Common Shares, stock, other equity interests or securities of Reckson or the partnership interests, stock, other equity interests or securities of any Reckson Subsidiary or any options, warrants or rights to acquire, or security convertible into, Reckson Common Shares, stock, other equity interest or securities of Reckson or the partnership interests, stock or other equity interests in any Reckson Subsidiary, except in each case (v) in connection with Reckson Employee Benefit Plans, (w) pursuant to the terms of any LP Units, (x) the issuance of Reckson Common Shares pursuant to the terms of the Convertible Senior Notes, (y) upon exercise of existing rights in favor of Reckson or (z) use of Reckson Common Shares or Common LP Units to pay the exercise price or Tax withholding obligation upon the exercise of a Reckson Option or upon the vesting or settlement of a Reckson restricted share award, Reckson RSU or LTIP OP Unit;

(ii) (A) classify or re-classify any unissued Reckson Common Shares, shares of stock, units, interests, any other voting or redeemable securities (including LP Units or other partnership interests) or stock-based performance units of Reckson or any Reckson Subsidiary, (B) other than Permitted Issuances, authorize for issuance, issue, deliver, sell, or grant Reckson Common Shares, shares of stock, units, interests, any other voting or redeemable securities (including LP Units or other partnership interests) or stock based performance units of Reckson or Reckson Subsidiaries, (C) other than Permitted Issuances, authorize for issuance, issue, deliver, sell, or grant any option or other right in respect of, any Reckson Common Shares, shares of stock, units, interests, any other voting or redeemable securities (including LP Units or other partnership interests), or stock-based performance units of Reckson or any Reckson Subsidiary or any securities convertible into, or any rights, warrants or options to acquire, any such shares, units, interests, voting securities or convertible or redeemable securities or (D) amend or waive any option to acquire Reckson Common Shares (except, with respect to clauses (A), (B) and (C), (1) as required under the Operating Partnership Agreement as presently in effect, (2) pursuant to the terms of the LP Units, (3) in connection with the exercise of Reckson Options or vesting or settlement of Reckson RSUs granted under the Reckson Option Plans or (4) the exchange of units or LTIP OP Units of the Operating Partnership for Reckson securities in accordance with the Operating Partnership Agreement);

(iii) amend the Reckson Charter or the Reckson Bylaws, or any other comparable charter or organizational documents of any Reckson Subsidiary;

(iv) (A) merge, consolidate or enter into any other business combination transaction with any Person (B) acquire (by merger, consolidation or acquisition) any corporation, partnership or other entity or (C) purchase any equity interest in or all or substantially all of the assets of, any Person or any division or business thereof;

(v) make, undertake or enter into any new commitments obligating Reckson or any Reckson Subsidiary to make, capital expenditures; provided however, Reckson or any Reckson Subsidiary may make, capital expenditures pursuant to the terms of contracts which have been executed prior to the date hereof and in connection with amounts payable in respect of existing or future (i) tenant improvements, (ii) lease commissions, (iii) obligations under leases, (iv) maintenance, repairs and amounts required as a result of extraordinary events or emergencies (collectively, the "PERMITTED EXPENDITURES") and up to 110% of the total amounts set forth as capital expenditures or development costs in the capital expenditure and development plan described in Section 4.1(b) of the Reckson Disclosure Letter (the "CAPITAL BUDGET");

(vi) incur indebtedness (secured or unsecured), except for draws under its existing line(s) of credit for purposes of (A) funding expenditures pursuant to the Capital Budget and Permitted Expenditures, (B) funding other transactions permitted by this Section 4.1 and (C) working capital purposes in the ordinary course (including to the extent necessary to pay dividends permitted pursuant to Section 4.1(b), for purposes of making payments to holders of any indebtedness and to pay any transaction expenses incurred in connection with the Mergers or the transactions contemplated by this Agreement);

(vii) sell, mortgage, subject to Lien, (or, in the case of an involuntary Lien, fail to take commercially reasonable action within forty-five (45) days of the notice of creation thereof to attempt to have such Lien removed), lease (other than leases (other than ground leases) as landlord or sublessor in the ordinary course of business) or otherwise dispose of any of the Reckson Properties, including by the disposition or issuance of equity securities in an entity that owns a Reckson Property, except (A) as described in Section 4.1(b) of the Reckson Disclosure Letter (and in the amounts so described) or (B) made in the ordinary course of business, or (C) pursuant to a binding sales contract in existence on the date of this Agreement and set forth in Section 4.1(b) of the Reckson Disclosure Letter;

(viii) except as set forth in Section 4.1(b) of the Reckson Disclosure Letter, (A) assume or guarantee the indebtedness of another Person other than wholly owned Reckson Subsidiaries, enter into any "keep well" or other agreement to maintain any financial statement condition of another Person other than wholly owned Reckson Subsidiaries or enter into any arrangement having the economic effect of any of the foregoing, (B) prepay, refinance or amend any existing indebtedness other than refinancings of existing indebtedness at maturity with floating rate debt on customary commercial terms which is prepayable without premium or penalty, (C) make any loans, advances, capital contributions or investments in any other Person (other than wholly-owned Subsidiaries) or (D) other than in connection with the incurrence of indebtedness permitted hereunder, pledge or otherwise encumber shares of capital stock or securities in Reckson or any Reckson Subsidiary;

(ix) modify, amend or change any existing Tax Protection Agreement in a manner that would adversely affect Reckson, any Reckson Subsidiary or any of the Purchaser Parties, or enter into any new Tax Protection Agreement;

(x) except as required by Law or in the ordinary course of business, make or change any material Tax election, change any annual Tax accounting period, adopt or change any method of Tax accounting, or file any amended Tax Return (in each case, except to the extent necessary or appropriate to preserve Reckson's status as a REIT or to preserve the status of any Reckson Subsidiary as a partnership, "qualified REIT subsidiary" or "taxable REIT subsidiary" for U.S. federal income Tax purposes), if such action would have an adverse affect on any of the Purchaser Parties that is material;

(xi) (A) fail to maintain its books and records in all material respects in accordance with GAAP consistently applied, (B) change any of its methods, principles or practices of financial accounting in effect, other than as required by GAAP, (C) settle or compromise any material claim, action, suit, litigation, proceeding, arbitration, investigation, audit or controversy relating to Taxes, other than settlements or compromises (i) relating to real property Taxes or sales Taxes in an amount not to exceed $5,000,000, individually or in the aggregate, or (ii) that do not result in a Tax liability of Reckson or any Reckson Subsidiary that materially exceeds the amount reserved, in accordance with GAAP, with respect to such claim, action, or other proceeding, or (D) revalue in any material respect any of its assets, including writing-off accounts receivable, except, in each of the foregoing cases, as may be required by the SEC, applicable Law or GAAP (in which case, Reckson shall promptly inform Purchaser of such changes);

(xii) settle or compromise any material litigation, including any shareholder derivative or class action claims other than settlements or compromises for litigation providing solely for the payment of money damages where the amount paid (after reduction by any insurance proceeds actually received or appropriate credits are applied from self-insurance reserves) in settlement or compromise does not exceed $10,000,000, which provide for a complete release of Reckson and each applicable Reckson Subsidiary of all claims and which do not provide for any admission of liability by Reckson or any Reckson Subsidiary;

(xiii) except as set forth in Section 4.1(b) of the Reckson Disclosure Letter, or as required by Law or any Reckson Employee Benefit Plan, (A) other than in connection with renewals of broad-based plans on substantially equivalent terms and other changes in broad-based plans that do not increase the cost thereof in any material respect, amend, modify, alter or terminate any existing Reckson Employee Benefit Plan or adopt any new employee benefit plan, incentive plan, severance plan or agreement, bonus plan, compensation, special remuneration, retirement, health, life, disability, stock option or other plan, program, agreement or arrangement that would be a Reckson Employee Benefit Plan if it had been in existence on the date hereof, (B) grant any new Reckson Options, Reckson restricted share awards or any other Reckson equity-based awards (including any LTIP OP Units and other Partnership Units), (C) materially increase the compensation, bonus or fringe or other benefits of, or pay any discretionary bonus of any kind or amount whatsoever to, any current or former director, officer, employee or consultant, (D) other than in connection with the severance policy described in Section 4.1(b) of the Reckson Disclosure Letter, grant or pay any severance or termination pay to, or increase in any material manner the severance or termination pay of, any current or former director, officer, employee or consultant of the Company or any Reckson Subsidiary, (E) increase the number of its full-time permanent employees by more than 10 net adds or (F) establish, pay, agree to grant or increase any stay bonus, retention bonus or any similar benefit under any plan, agreement, award or arrangement;

(xiv) except as provided in Section 4.1(b) of the Reckson Disclosure Letter or as otherwise permitted pursuant to this Agreement and other than in the ordinary course of business, amend or terminate, or waive compliance with the terms of or breaches under, or assign any material rights or claims under, any material term of any Material Contract described in clause (III), (IV) or (V) of the definition thereof or clause (II) of the definition thereof (provided for purposes of this clause (xiv) only the reference to $10,000,000 shall be deemed to be a reference to $5,000,000) or enter into a new contract, agreement or arrangement that constitutes a service contract with a term of over 12 months or that, if entered into prior to the date of this Agreement, would have been a Material Contract described in clause (III), (IV) or (V) of the definition thereof or clause (II) of the definition thereof (provided for purposes of this clause (xiv) only the reference to $10,000,000 shall be deemed to be a reference to $5,000,000), in each case if the effect thereof would have an Reckson Material Adverse Effect.

(xv) fail to use its commercially reasonable efforts to comply or remain in compliance with all material terms and provisions of any agreement relating to any outstanding indebtedness of Reckson or any Reckson Subsidiary (in each case after giving effect to any applicable waivers);

(xvi) fail to duly and timely file all material reports and other material documents required to be filed with all Governmental Entities and other authorities (including the New York Stock Exchange), subject to extensions permitted by Law;

(xvii) except as provided in Section 5.6, authorize, recommend, propose, adopt or announce an intention to adopt a plan of complete or partial liquidation, dissolution, merger, consolidation, restructuring, recapitalization or other reorganization of Reckson or any of the Reckson Subsidiaries;

(xviii) except in connection with a right being exercised by a tenant under an existing lease (and in accordance with the terms and conditions thereof), enter into any new lease for in excess of 25,000 square feet of net rentable area at an Reckson Property;

(xix) take any action or fail to take any action, which could reasonably be expected to cause Reckson to fail to qualify as a REIT; or

(xx) agree in writing or otherwise to take any action inconsistent with any of the foregoing.

Section 4.2. Conduct of Business by Parent. (a) During the period from the date of this Agreement to the earlier of the termination of this Agreement or the Partnership Merger Effective Time, Parent shall, and shall cause each of its Subsidiaries to (i) carry on its businesses in the usual, regular and ordinary course consistent with its good business judgment and (ii) to the extent consistent with the foregoing clause (i), use its commercially reasonable efforts to preserve intact in all material respects its current business organization, goodwill, ongoing businesses and relationships with third parties and to maintain the status of Parent as a REIT within the meaning of Section 856 of the Code.

(b) Without limiting the generality of the foregoing, during the period from the date of this Agreement to the earlier of the termination of this Agreement or the Partnership Merger Effective Time, except as otherwise expressly provided or permitted by this Agreement, as set forth in Section 4.2(b) of the Parent Disclosure Letter, to the extent consented to by Reckson in advance and in writing (which consent shall not be unreasonably withheld, delayed or conditioned), as contemplated by any Parent employee or executive benefit or compensation plan, however characterized, as required by existing agreements, or as required by Parent or its Affiliates duties to joint venture partners or minority shareholders of any Parent Affiliate, Parent shall not and shall not authorize or commit or agree to, and shall cause the other Parent Subsidiaries not to (and not to authorize or commit or agree to):

(i) (A) declare, set aside for payment or pay any dividends on, or make any other actual, constructive or deemed distributions (whether in cash, shares, property or otherwise) in respect of, any of Parent's shares, stock or the partnership interests, shares, stock or other equity interests in any Parent Subsidiary that is not directly or indirectly wholly owned by Parent, other than (i) regular, cash distributions at a rate not in excess of $0.60 per share of Parent Common Stock, declared and paid quarterly, and (ii) pro rata dividends or distributions, declared, set aside or paid by any non-wholly-owned Parent Subsidiary to Parent or any Parent Subsidiary; provided that Parent may declare and pay dividends or distributions to the extent required to maintain its status as a REIT or to eliminate any U.S. federal income or excise Taxes otherwise payable, (B) except as set forth in Section 4.2(b)(i) of the Parent Disclosure Letter or pursuant to the terms of any Parent employee benefit plans (or the award agreements thereunder), split, combine or reclassify any shares, stock, partnership interests or other equity interest or issue or authorize the issuance of any securities in respect of, in lieu of or in substitution for shares of such shares, stock, partnership interests or other equity interests or (C) purchase, redeem or otherwise acquire any Parent Common Stock, stock, other equity interests or securities of Parent or the partnership interests, stock, other equity interests or securities of any Parent Subsidiary or any options, warrants or rights to acquire, or security convertible into, Parent Common Stock, stock, other equity interest or securities of Parent or the Parent partnership interests, stock or other equity interests in any Parent Subsidiary, except in each case in connection with Parent employee benefit plans;

(ii) (A) classify or re-classify any unissued Parent Common Stock, shares of stock, units, interests, any other voting or redeemable securities (including Parent Operating Partnership interests) or stock-based performance units of Parent or the Parent Operating Partnership, (B) other than issuances for cash in an underwritten public offering or issuances of units of the Parent Operating Partnership to purchase assets, authorize for issuance, issue, deliver, sell, or grant any shares of Parent Common Stock, shares of stock, units, interests, any other voting or redeemable securities (including Parent Operating Partnership interests) or stock based performance units of Parent or the Parent Operating Partnership, (C) authorize for issuance, issue, deliver, sell, or grant any option or other right in respect of, any Parent Common Stock, shares of stock, units, interests, any other voting or redeemable securities (including partnership interests), or stock-based performance units of Parent or the Parent Operating Partnership or any securities convertible into, or any rights, warrants or options to acquire, any such shares, units, interests, voting securities or convertible or redeemable securities other than pursuant to employee benefit plans or (D) amend or waive any option to acquire Parent Common Stock;

(iii) amend the Parent Charter or the Parent Bylaws, or any other comparable charter or organizational documents of the Parent Operating Partnership, other than as required in connection with the issuances of Parent capital stock (including preferred stock) in an underwritten cash offering;

(iv) (A) merge, consolidate or enter into any other business combination transaction with any Person (B) acquire (by merger, consolidation or acquisition) any corporation, partnership or other entity or (C) purchase any equity interest in or all or substantially all of the assets of, any Person, or any division or business thereof; provided that this clause (iv) shall not in any way prohibit Parent or any of its Subsidiaries from entering into or consummating any transactions involving cash consideration or units of the Parent Operating Partnership, or a combination thereof, with respect to real property or any interest therein (in each case, including buildings, structures and other improvements and fixutres located thereon), other than acquisitions of a controlling equity interest in or a substantial portion of the assets of, any Person that has a class of securities subject to the reporting obligations of the Exchange Act;

(v) except as provided in Section 5.6, authorize, recommend, propose, adopt or announce an intention to adopt a plan of complete or partial liquidation, dissolution, merger, consolidation, restructuring, recapitalization or other reorganization of Parent or any of the Parent Subsidiaries;

(vi) take any action, or fail to take any action, which could reasonably be expected to cause Parent to fail to qualify as a REIT; or

(vii) agree in writing or otherwise to take any action inconsistent with any of the foregoing.

ARTICLE V

ADDITIONAL COVENANTS

Section 5.1. Preparation of Proxy Statement; Shareholders' Meeting; Preparation of Form S-4 Registration Statement.

(a) As soon as practicable following the date of this Agreement, Reckson shall prepare and file with the SEC a preliminary Proxy Statement for the purpose of calling the Reckson Shareholder Meeting to obtain the Reckson Shareholder Approval; provided that Reckson shall consult with Purchaser and provide Purchaser a reasonable opportunity to review and comment on such preliminary Proxy Statement prior to filing. The parties shall reasonably cooperate with each other in the preparation of the Proxy Statement and to have such document cleared by the SEC as promptly as practicable after such filing. Reckson will notify Purchaser promptly following the receipt of any comments from the SEC and of any request by the SEC for amendments or supplements to the Proxy Statement or for additional information and will supply Purchaser with copies of all correspondence with the SEC with respect to the Proxy Statement. The Proxy Statement, and any supplement or amendment thereto, shall comply in all material respects with all applicable requirements of Law. Reckson shall date the Proxy Statement as of the approximate date of mailing to Reckson shareholders and shall use its commercially reasonable efforts to cause the Proxy Statement to be mailed to Reckson shareholders at the earliest practicable date. Whenever any event occurs which is required to be set forth in an amendment or supplement to the Proxy Statement, (i) Purchaser or Reckson, as the case may be, shall promptly inform the other of such occurrences, (ii) Reckson shall prepare and file with the SEC any such amendment or supplement to the Proxy Statement; provided, however, that no amendment or supplement to the Proxy Statement will be made without prior consultation with Purchaser and providing Purchaser a reasonable opportunity to review and comment on such amendment or supplement, (iii) Reckson shall use its commercially reasonable efforts to have any such amendment or supplement cleared for mailing, to the extent necessary, to Reckson shareholders as promptly as practicable after such filing and (iv) Reckson shall use its commercially reasonable efforts to have any such amendment or supplement mailed to Reckson shareholders at the earliest practicable date.

(b) Subject to Section 5.6(a), Reckson will, as soon as practicable, but in no event more than five (5) Business Days, following the date on which the Proxy Statement is cleared by the SEC, duly call, give notice of, and as soon as practicable convene and hold the Reckson Shareholder Meeting, for the purpose of obtaining the Reckson Shareholder Approval. Reckson will, through the Reckson Board of Directors, recommend to Reckson shareholders approval of the Merger and the other transactions contemplated hereby and further covenants that the Proxy Statement will include such recommendation (the "RECKSON RECOMMENDATION"), except to the extent that the Reckson Board of Directors shall have modified qualified or withdrawn such recommendation in accordance with Section 5.6(a) or to the extent that the Reckson Board of Directors determines in good faith, that failure to modify, qualify or withdraw such recommendation would breach their duties to Reckson or Reckson shareholders.

(c) Parent shall, as promptly as practicable following the date of this Agreement, prepare and file with the SEC a registration statement on Form S-4 (the "FORM S-4 REGISTRATION STATEMENT"), containing the Proxy Statement and prospectus, in connection with the registration under the Securities Act of Parent Common Stock issuable as Merger Consideration pursuant to the Mergers. Each of Parent and Reckson shall use reasonable commercial efforts to cause the Form S-4 Registration Statement to be filed with the SEC by September 6, 2006 or earlier if practicable. Parent shall, and shall cause their accountants and attorneys to, use their reasonable best efforts to have or cause the Form S-4 Registration Statement declared effective as promptly as practicable, including, causing their accountants to deliver necessary or required instruments such as opinions and certificates, and will take any other action reasonably required or necessary to be taken under federal or state securities laws or otherwise in connection with the registration process. Each of Parent and Reckson shall promptly furnish the other all information concerning it as may be required for inclusion in the Proxy Statement or Form S-4 Registration Statement. Reckson shall cooperate with Parent in the preparation of the Form S-4 Registration Statement in a timely fashion and shall use reasonable best efforts to assist Parent in having the Form S-4 Registration Statement declared effective by the SEC as promptly as practicable. If, at any time prior to the Effective Time, Reckson shall obtain knowledge of any information pertaining to Reckson that would require any amendment or supplement to the Form S-4 Registration Statement, Reckson shall so advise Parent and shall promptly furnish Parent with all information as shall be required for such amendment or supplement, and shall promptly amend or supplement the Form S-4 Registration Statement.

(d) If on the date of the Reckson Shareholders Meeting, Reckson has not received proxies representing a sufficient number of Reckson Common Shares to approve the Merger, Reckson shall adjourn the Reckson Shareholder Meeting until such date as shall be mutually agreed upon by Reckson and Purchaser, which date shall not be less than 5 days nor more than 10 days after the date of adjournment, and subject to the terms and conditions of this Agreement shall continue to use its commercially reasonable efforts, together with its proxy solicitor, to assist in the solicitation of proxies from shareholders relating to the Reckson Shareholder Approval. Reckson shall only be required to adjourn or postpone the Reckson Shareholders Meeting one time pursuant to this Section 5.1(d).

Section 5.2. Access to Information; Confidentiality and Confidentiality Agreement.

(a) Each party hereto and its respective Subsidiaries shall afford to the other party and such other party's officers, employees, accountants, counsel, financial advisors and other representatives and Affiliates, reasonable access during normal business hours and upon reasonable advance notice to all of its properties, offices, books, contracts, commitments, personnel and records, and, during such period, shall furnish reasonably promptly to such other party (i) a copy of each report, schedule, registration statement and other document filed by it during such period pursuant to the requirements of federal or state securities Laws and (ii) all other information (financial or otherwise) concerning its business, properties and personnel as such other party may reasonably request. Notwithstanding the foregoing, no Person shall be required by this Section 5.2 to provide any other party or such party's representatives with (i) access to physical properties for the purpose of invasive physical testing or (ii) any information that such party reasonably believes it may not provide to any other party by reason of applicable Law which constitutes information protected by attorney/client privilege, or which such party is required to keep confidential by reason of contract, agreement or understanding with third parties. Such other party shall, in the exercise of the rights described in this Section 5.2(a), not unduly interfere with the operation of the businesses of the party providing the access and information.

(b) Each of the Purchaser Parties will hold, and will cause its respective officers, employees, accountants, counsel, financial advisors and other representatives and Affiliates to hold, any nonpublic information in confidence to the extent required by, and in accordance with, and will otherwise comply with the terms of the letter agreement between Reckson and Parent dated as of July 14, 2006 (as may be amended, the "CONFIDENTIALITY AGREEMENT").

(c) Subject to applicable Law and legal process, Reckson and the Operating Partnership shall and shall cause each of the Reckson Subsidiaries and all of their its respective officers, employees, accountants, counsel, financial advisors and other representatives and Affiliates to hold all non-public information received concerning the business and affairs of the Purchaser Parties and any of their respective Subsidiaries in strict confidence.

Section 5.3. Reasonable Efforts.

(a) Upon the terms and subject to the conditions set forth in this Agreement, each of the Purchaser Parties, Reckson and the Operating Partnership agrees to use its commercially reasonable efforts to take, or cause to be taken, all actions and to do, or cause to be done, and to assist and cooperate with the other parties in doing, all things necessary, proper or advisable to fulfill all conditions applicable to such party pursuant to this Agreement and to consummate and make effective, as promptly as reasonably practicable, the Mergers and the other transactions contemplated by this Agreement, including (i) the obtaining of all necessary, proper or advisable actions or nonactions, waivers, consents and approvals from Governmental Entities and other third parties and the making of all necessary, proper or advisable registrations, filings and notices and the taking of all reasonable steps as may be necessary to obtain an approval, waiver, consent or exemption from any Governmental Entity, (ii) the obtaining of all necessary, proper or advisable consents, approvals, waivers or exemptions from non-governmental third parties, (iii) the execution and delivery of any additional documents or instruments necessary, proper or advisable to consummate the transactions contemplated by, and to fully carry out the purposes of this Agreement, and (iv) the obtaining of customary tenant estoppels with respect to the Reckson Leases or other reasonable requests for estoppels, provided, however, that the failure to obtain any such estoppels shall not be considered to be a breach of this Agreement.

(b) Reckson and the Operating Partnership shall give prompt notice to the Purchaser Parties and the Purchaser Parties shall give prompt notice to Reckson and the Operating Partnership, if (i) any representation or warranty made by it contained in this Agreement that is qualified as to materiality becomes untrue or inaccurate in any respect or any such representation or warranty that is not so qualified becomes untrue or inaccurate in any material respect such that the applicable closing conditions are incapable of being satisfied by the Termination Date or (ii) it fails to comply with or satisfy in any material respect any covenant, condition or agreement to be complied with or satisfied by it under this Agreement such that the applicable closing conditions are incapable of being satisfied by the Termination Date; provided, however, that no such notification shall affect the representations, warranties, covenants or agreements of the parties or the conditions to the obligations of the parties under this Agreement.

Section 5.4. Transfer Taxes. Purchaser shall prepare, execute and file, or cause to be prepared, executed and filed, all returns, questionnaires, applications or other documents regarding any real property transfer or gains, sales, use, transfer, value added stock transfer and stamp Taxes, any transfer, recording, registration and other fees and any similar Taxes which become payable in connection with the transactions contemplated by this Agreement other than any such Taxes that are solely the responsibility of the holders of Reckson Common Shares or LP Units under applicable Law (together, with any related interest, penalties or additions to Tax, "TRANSFER AND GAINS TAXES"). Purchaser shall pay or cause to be paid all such Transfer and Gains Taxes (other than any such Taxes that are solely the responsibility of the holders of Reckson Common Shares or LP Units under applicable Law), without any deduction or withholding from the Merger Consideration or the Partnership Merger Consideration.

Section 5.5. No Solicitation of Transactions.

(a) Subject to Section 5.6, none of Reckson, the Operating Partnership or any other Reckson Subsidiary shall, nor shall it authorize or permit, directly or indirectly, any officer, director, employee, agent, investment banker, financial advisor, attorney, broker, finder or other agent, representative or Affiliate of Reckson, the Operating Partnership or any other Reckson Subsidiary to initiate, solicit, encourage or facilitate (including by way of furnishing nonpublic information or assistance) any inquiries or the making of any proposal or other action that constitutes, or may reasonably be expected to lead to, any Competing Transaction (as defined herein), or enter into discussions or negotiate with any Person in furtherance of such inquiries or to obtain a Competing Transaction Reckson and the Operating Partnership shall take, and shall cause the other Reckson Subsidiaries to take, all actions reasonably necessary to cause their respective officers, directors, employees, investment bankers, financial advisors, attorneys, brokers, finders and any other agents, representatives or Affiliates to, immediately cease any discussions, negotiations or communications with any party or parties with respect to any Competing Transaction; provided, however, that nothing in this sentence shall preclude Reckson, the Operating Partnership or any other Reckson Subsidiary or their respective officers, trustees, directors, employees, investment bankers, financial advisors, attorneys, brokers, finders and any other agents, representatives or Affiliates from complying with the provisions of the last sentence of this Section 5.5(a). Reckson, the Operating Partnership and the Reckson Subsidiaries shall be responsible for any failure on the part of their respective officers, directors, employees, investment bankers, financial advisors, attorneys, brokers, finders and any other agents, representatives or Affiliates to comply with this Section 5.5(a). Purchaser Parties acknowledge that, effective as of the date of this Agreement, Reckson waives all standstill or similar provisions of any agreement, letter or understanding for the benefit of it or any of the Reckson Subsidiaries that would in any way prohibit any Person from making or otherwise facilitate the making of a proposal with respect to a Competing Transaction. Reckson shall request each Person that has heretofore executed a confidentiality agreement in connection with its consideration of acquiring (whether by merger, acquisition, stock sale, asset sale or otherwise) Reckson, the Operating Partnership or any other Reckson Subsidiary, or any material position of their assets, if any, to return or destroy all confidential information heretofore furnished to such Person by or on behalf of Reckson, the Operating Partnership or any other Reckson Subsidiary.

(b) Reckson and the Operating Partnership shall notify Purchaser of, promptly following receipt, all relevant details relating to any proposal (including the identity of the parties and all material terms thereof) which any of Reckson, the Operating Partnership or any of the other Reckson Subsidiaries or any such officer, director, employee, agent, investment banker, financial advisor, attorney, broker, finder or other representative or Affiliate may receive after the date hereof relating to a Competing Transaction and shall keep Purchaser reasonably informed on a prompt basis as to the status of and any material developments regarding any such proposal.

(c) For purposes of this Agreement, a "COMPETING TRANSACTION" means any of the following (other than the transactions expressly provided for in this Agreement): (i) any merger, consolidation, share exchange, business combination or similar transaction involving Reckson or the Operating Partnership ; (ii) any sale, lease, exchange, mortgage, pledge, transfer or other disposition of 40% or more of the fair market value of the assets (including by means of an issuance, sale or other disposition of voting securities) of Reckson and the Reckson Subsidiaries, taken as a whole, or of 40% or more of any class of voting securities of Reckson, in a single transaction or series of related transactions, excluding any bona fide financing transactions that do not, individually or in the aggregate, have as a purpose or effect the sale or transfer of control of such assets; or (iii) any tender offer or exchange offer for 40% or more of any class of voting securities of Reckson.

(d) For purposes of this Agreement, a "SUPERIOR COMPETING TRANSACTION" means a bona fide unsolicited written proposal for a Competing Transaction made by a third party that the Reckson Board of Directors determines (after taking into account any amendments to this Agreement entered into or which Purchaser irrevocably covenants to enter into and for which all internal approvals of Purchaser have been obtained prior to the date of such determination), in good faith and after consultation with its financial and legal advisors, is on terms that are more favorable, taking into account financial terms, the conditions to the consummation thereof and the likelihood of the Competing Transaction proposal being consummated, to the Reckson Common Shareholders than the Mergers and the other transactions contemplated by this Agreement.

Section 5.6. Board Actions.

(a) Notwithstanding Section 5.5 or any other provision of this Agreement to the contrary, following the receipt by Reckson or any Reckson Subsidiary of a proposal from a third party for a Competing Transaction (which was not solicited, encouraged or facilitated in violation of Section 5.5), if the Reckson Board of Directors determines in good faith following consultation with its legal and financial advisors that such proposal for a Competing Transaction is or is reasonably likely to lead to a Superior Competing Transaction, the Reckson Board of Directors may (directly or through officers or advisors) (i) furnish nonpublic information with respect to Reckson and the Reckson Subsidiaries to the Person that made such proposal (provided that Reckson shall furnish such information pursuant to a confidentiality agreement unless the third party is already a party thereto), (ii) disclose to Reckson shareholders any information required to be disclosed under applicable Law, (iii) participate in discussions and negotiations regarding such proposal and (iv) following receipt of a proposal for a Competing Transaction that constitutes a Superior Competing Transaction, but prior to the Reckson Shareholder Approval, (A) withdraw or modify in a manner adverse to Purchaser, or fail to make, the Reckson Recommendation or recommend that the Reckson Common Shareholders approve such Superior Competing Transaction, (B) terminate this Agreement pursuant to and subject to compliance with, Section 7.1(g) and (C) take any action that any court of competent jurisdiction orders Reckson to take. Nothing in this Section 5.6 or elsewhere in this Agreement shall prevent the Reckson Board of Directors from complying with Rule 14d-9 or Rule 14e-2(a) promulgated under the Exchange Act with respect to a Competing Transaction or from issuing a stop, look and listen announcement or otherwise making any required disclosure to Reckson shareholders if, in the good faith judgment of the Reckson Board of Directors, after consultation with outside legal counsel, failure to do so would be inconsistent with its obligations under applicable Law, including Rule 14d-9 promulgated under the Exchange Act or Item 1012(a) of Regulation M-A; provided, however, that neither Reckson nor the Reckson Board of Directors shall be permitted to recommend a Competing Transaction which is not a Superior Competing Transaction.

(b) The Reckson Board of Directors shall not take any of the actions referred to in clause (iv) of Section 5.6(a) (i) until at least three (3) Business Days after giving notice to Purchaser that the Competing Transaction constitutes a Superior Competing Transaction (a "SUPERIOR NOTICE") accompanied by a copy of the form of definitive agreement (if any) that is proposed to be entered into in respect of the Competing Transaction, and (ii) unless the Reckson Board shall have concluded following the end of such three (3) Business Day period that, taking into account any amendment to this Agreement entered into or that Purchaser irrevocably covenants to enter into and for which all internal approvals of Purchaser have been obtained since receipt of such notice, in each case, prior to the end of such three Business Day period, such Superior Competing Transaction remains a Superior Competing Transaction.

Section 5.7. Public Announcements. Reckson, the Operating Partnership and Purchaser shall consult with each other before issuing any press release or otherwise making any public statements or filings with respect to this Agreement or any of the transactions contemplated hereby and shall not issue any such press release or make any such public statement or filing without the prior consent of the other party, which consent shall not be unreasonably withheld or delayed; provided, however, that a party may, without the prior consent of the other party, issue such press release or make such public statement or filing as may be required by Law or the applicable rules of any stock exchange if it has used its commercially reasonable efforts to consult with the other party and to obtain such party's consent but has been unable to do so prior to the time such press release or public statement or filing is required to be released, filed or furnished pursuant to such Law.

Section 5.8. Employee Arrangements.

(a) From the Effective Time through the first anniversary (or, if earlier, such time as the Covered Employee is no longer employed by Purchaser or its Affiliates) thereof (the "COVERED PERIOD"), Purchaser shall, or shall cause the Surviving Company to, provide each employee of Reckson and the Reckson Subsidiaries as of the Effective Time who the Surviving Company, the Surviving Partnership or the Purchaser Parties employ following the Effective Time (collectively, the "COVERED EMPLOYEES") with employee benefits and compensation plans, programs and arrangements that are substantially similar, in the aggregate, to the employee benefits and compensation plans, programs and arrangements (but for the avoidance of doubt shall not be required to be replicated on a plan for plan or agreement for agreement basis), excluding equity and equity-based plans and awards of interests in the Operating Partnership provided by Reckson and the Reckson Subsidiaries, as the case may be, to each such Covered Employee immediately prior to the Effective Time. Notwithstanding anything contained herein to the contrary, from and after the Effective Time, a Covered Employee whose employment terminates during the Covered Period shall be entitled to receive the severance payments and benefits provided under and in accordance with the terms and conditions of the severance policy described in Section 4.1(b) of the Reckson Disclosure Letter (without amendment on or after the Effective Time). Notwithstanding anything in this Agreement to the contrary, following the Effective Time, the employment of the Covered Employees who are covered by a Collective Bargaining Agreement shall in all events be in accordance with the terms and conditions of such agreements.

(b) From and after the Effective Time, Purchaser shall (i) provide the Covered Employees with service credit for purposes of eligibility, participation and vesting and levels of benefit accruals (but not for benefit accruals under any defined benefit pension plan of Purchaser or any of its Subsidiaries), under any employee benefit or compensation plan, program or arrangement adopted, maintained or contributed to by Purchaser, Surviving Company or any of their respective Subsidiaries in which (and to the extent) such Covered Employees are eligible to participate, for all periods of employment with Reckson or any Reckson Subsidiary (or their predecessor entities) prior to the Effective Time, (ii) cause any pre-existing conditions or limitations, eligibility waiting periods or required physical examinations under any welfare benefit plans of Purchaser, Surviving Company or any of their respective Subsidiaries to be waived with respect to the Covered Employees and their eligible dependents, and (iii) give the Covered Employees and their eligible dependents credit for the plan year in which the Effective Time (or commencement of participation in a plan of Purchaser, Surviving Company or any of their respective Subsidiaries) occurs towards applicable deductibles and annual out-of-pocket limits for expenses incurred prior to the Effective Time (or the date of commencement of participation in a plan of Purchaser, Surviving Company or any of their respective Subsidiaries).

(c) Parent shall, and shall cause the Surviving Company and its Subsidiaries to, take all action necessary to effectuate and satisfy, the agreements and obligations set forth in Section 5.8(c) of the Reckson Disclosure Letter.

(d) At the Effective Time, Parent shall cause the Surviving Company and its Subsidiaries to take the actions set forth in Section 5.8(d) of the Reckson Disclosure Letter with respect to the life insurance policies set forth on such schedule.

Section 5.9. Indemnification; Directors' and Officers' Insurance.

(a) In the event of any threatened or actual claim, action, suit, demand, proceeding or investigation, whether civil, criminal or administrative, including any such claim, action, suit, proceeding or investigation in which any Person who is now, or has been at any time prior to the date hereof, or who becomes prior to the Effective Time, a trustee, director or officer, partner or member of Reckson or any of the Reckson Subsidiaries (each, an "INDEMNIFIED PARTY" and collectively, the "INDEMNIFIED PARTIES") is, or is threatened to be, made a party based in whole or in part on, or arising in whole or in part out of, or pertaining to (i) the fact that he or she is or was a trustee, director, officer, partner or member of Reckson or any of the Reckson Subsidiaries, or is or was serving at the request of Reckson or any of the Reckson Subsidiaries as a trustee, director, officer, partner or member of another corporation, partnership, joint venture, trust or other enterprise, in each case, at or prior to the Effective Time or (ii) the negotiation, execution or performance of this Agreement, any agreement or document contemplated hereby or delivered in connection herewith, or any of the transactions contemplated hereby, from and after the Effective Time, the Purchaser Parties and the Surviving Company (together with Reckson, the "INDEMNITORS"), shall jointly and severally indemnify and hold harmless, as and to the fullest extent permitted by Law, each Indemnified Party against any losses, claims, damages, Liabilities, costs, expenses (including reasonable attorneys' fees and expenses), judgments, fines and amounts paid in settlement in connection with any such threatened or actual claim, action, suit, demand, proceeding or investigation (collectively, "INDEMNIFIABLE AMOUNTS"), and in the event of any such threatened or actual claim, action, suit, proceeding or investigation (whether asserted before or after the Effective Time), the Indemnitors, shall promptly (but in any event within ten (10) calendar days of written request) advance expenses pending the final disposition of any such threatened or actual claim, action, suit, demand, proceeding or investigation to each Indemnified Party to the fullest extent permitted by applicable Law. For purposes of clarification, no person who is a representative of any Joint Venture partner unaffiliated with Reckson on any governing body of any Joint Venture shall be entitled to indemnification as a result of this Section 5.9.

(b) Each of the Purchaser Parties agrees that all rights to indemnification and contribution existing in favor of, and all exculpations and limitations of the personal liability of, the Indemnified Parties provided for in the Reckson Charter or the Reckson Bylaws, as well as all existing indemnification agreements with respect to matters occurring at or prior to the Effective Time, including the Merger, shall continue in full force and effect in accordance with their terms. Subject to Section 5.9 of the Seller Disclosure Letter, Reckson shall prior to the Effective Time obtain and fully pay for a policy (providing coverage for the Indemnified Parties) with a claims period of at least six (6) years from the Effective Time from an insurance carrier with the same or better credit rating as Reckson's current insurance carrier with respect to directors' and officers' liability insurance in an amount and scope no less favorable than Reckson's existing policies with respect to matters existing or occurring at or prior to the Effective Time.

(c) This Section 5.9 is intended for the irrevocable benefit of, and to grant third-party rights to, the Indemnified Parties and shall be binding on all successors and assigns of Parent, Reckson and the Surviving Company. Each of the Indemnified Parties shall be entitled to enforce the covenants contained in this Section 5.9.

(d) In the event that Parent or the Surviving Company (i) consolidates with or merges into any other Person or entity and shall not be the continuing or surviving entity of such consolidation or merger or (ii) transfers or conveys all or substantially all of its properties and assets to any person or entity, then, and in each such case, proper provision shall be made so that such continuing or surviving entity or transferee, as the case may be, assumes the obligations set forth in this Section 5.9.

Section 5.10. Financing.

(a) The Purchaser Parties shall use their commercially reasonable efforts to take, or cause to be taken, all actions and to do, or cause to be done, all things necessary, proper or advisable to (i) maintain in effect the Financing Commitment, and to satisfy the conditions to obtaining the financing set forth therein, (ii) enter into definitive financing agreements with respect to the financings contemplated by the Financing Commitment (collectively, the "FINANCING AGREEMENTS"), so that the Financing Agreements are in effect as promptly as practicable, and (iii) consummate the financings contemplated by the Financing Agreements at or prior to the Closing. The Purchaser Parties shall keep Reckson informed of the status of the financing process relating thereto. Reckson shall provide such cooperation as may be reasonably requested by the Purchaser Parties in connection with the financing; provided, however, that Reckson shall not be required to provide any such assistance that would unreasonably interfere with the businesses or operations of Reckson; provided, further, however, that without Reckson's consent, in no event, whether in connection with the Financings contemplated by the Financing Agreements or otherwise, shall any property-level due diligence involve environmental tests or assessments. The Purchaser Parties shall indemnify Reckson and its Affiliates, including without limitation its directors and officers, for any Liabilities incurred by Reckson or its Affiliates, including without limitation its directors and officers, that result from actions taken by Reckson or its Affiliates at the request of the Purchaser Parties.

(b) If, notwithstanding the use of commercially reasonable efforts by the Purchaser Parties to satisfy their obligations under this Section 5.10, any of the Financing Commitment or Financing Agreements expire, are terminated or otherwise become unavailable prior to the Closing, in whole or in part, for any reason, the Purchaser Parties shall (i) immediately notify Reckson of such expiration, termination or other unavailability and the reasons therefor and (ii) use their commercially reasonable efforts promptly to arrange for alternative financing to replace the Financing contemplated by such expired, terminated or otherwise unavailable commitments or agreements in an amount sufficient to consummate the transactions contemplated by this Agreement.

Section 5.11. Convertible Senior Notes. Reckson and the Operating Partnership shall, and shall cause the Reckson Subsidiaries to, reasonably promptly after receipt of written instruction to do so by the Purchaser, deliver a notice to the holders of the Convertible Senior Notes providing that the Operating Partnership elects to change the exchange obligation under the Convertible Senior Notes, subject to, conditioned upon, and after, the consummation of the Mergers, into an obligation to deliver upon a subsequent exchange of Convertible Senior Notes, cash, shares of Acquirer Common Stock (as defined in the Officers Certificate setting forth the terms and conditions of the Convertible Senior Notes), or a combination thereof in accordance with Section 4.10 of such Officers Certificate.

Section 5.12. Allocation of Merger Consideration. The Purchaser Parties shall prepare an allocation of the Merger Consideration (including an allocation of the Stock Consideration and the Cash Consideration) and all other capitalized costs among the assets of Reckson in accordance with Section 1060 of the Code and Treasury regulations thereunder (and any similar provision of state, local or foreign law, as appropriate). Neither the Purchaser Parties nor Reckson shall take any position for Tax purposes (whether in audits, Tax Returns, or otherwise) that is inconsistent with such allocation, except to the extent required to do so by applicable law or pursuant to a determination (within the meaning of Section 1313(a) of the Code).

ARTICLE VI
CONDITIONS PRECEDENT

Section 6.1. Conditions to Each Party's Obligation to Effect the Mergers. The respective obligations of Reckson, the Operating Partnership, and the Purchaser Parties to effect the Mergers and to consummate the other transactions contemplated by this Agreement on the Closing Date are subject to the satisfaction or waiver on or prior to the Closing Date of the following conditions:

(a) Shareholder and Partner Approvals. The Reckson Shareholder Approval of the Merger and the Reckson Partner Approval of the Partnership Merger shall have been obtained.

(b) No Injunctions or Restraints. No temporary restraining order, preliminary or permanent injunction or other Order issued by any court of competent jurisdiction or other legal restraint or prohibition preventing the consummation of the Merger, the Partnership Merger or any of the other transactions or agreements contemplated by this Agreement shall be in effect.

(c) Effectiveness of Form S-4 Registration Statement. The Form S-4 Registration Statement shall have become and thereafter shall have remained effective under the Securities Act and shall not be the subject of any stop order or proceedings seeking a stop order.

(d) Listing. The shares of Parent Common Stock to be issued in the Mergers shall be approved for listing on the New York Stock Exchange, subject to official notice of issuance.

Section 6.2. Conditions to Obligations of Purchaser Parties. The obligations of the Purchaser Parties to effect the Mergers and to consummate the other transactions contemplated by this Agreement on the Closing Date are further subject to the following conditions, any one or more of which may be waived by any of the Purchaser Parties:

(a) Representations and Warranties. The representations and warranties of Reckson and the Operating Partnership set forth in (i) Sections 3.1(c) (capital structure)(with respect to Reckson and the Operating Partnership only), 3.1(d)(i) (Authority; No Violations, Consents and Approvals), 3.1(q) (Financial Advisor Opinion), 3.1(r) (Votes Required), 3.1(u) (Inapplicability of Takeover Statutes, Certain Charter and Bylaw Provisions; Rights Agreement), and 3.1(w)(Investment Company Act of 1940) shall be true and correct in all material respects and (ii) all other sections of this Agreement shall be true and correct (without regard to any materiality or Reckson Material Adverse Effect qualifier contained therein), except where the failure of such representations and warranties to be so true and correct would not reasonably be expected to constitute, individually or in the aggregate, a Reckson Material Adverse Effect, in the case of each of clauses (i) and (ii), as of the date hereof and as of the Closing Date as if made on and as of the Closing Date (except to the extent that any such representation or warranty, by its terms, is expressly limited to a specific date, in which case, as of such specific date).

(b) Performance of Covenants and Agreements of Reckson. Reckson and the Operating Partnership shall have performed in all material respects all covenants and agreements required to be performed by them under this Agreement at or prior to the Effective Time.

(c) Material Adverse Change. Since the date of the Balance Sheet, except as set forth in (i) any Covered Reckson SEC Disclosure or (ii) in any Section of the Reckson Disclosure Letter, there has not been a Reckson Material Adverse Effect.

(d) Certificate. Purchaser shall have received a certificate signed on behalf of Reckson by an executive officer of Reckson to the effect specified in Sections 6.2(a), 6.2(b) and 6.2(c).

(e) Tax Opinion. Reckson shall have received a tax opinion of Solomon and Weinberg LLP (or other counsel to Reckson reasonably satisfactory to Purchaser), dated as of the Closing Date, in form and substance reasonably satisfactory to Purchaser, opining that, commencing with Reckson's taxable year ended December 31, 2000, Reckson has been organized and operated in conformity with the requirements for qualification and taxation as a REIT under the Code. In rendering the opinion, such counsel shall be entitled to receive and rely on a customary representation letter from Reckson.

Section 6.3. Conditions to Obligations of Reckson and the Operating Partnership. The obligations of Reckson and the Operating Partnership to effect the Mergers and to consummate the other transactions contemplated by this Agreement on the Closing Date are further subject to the following conditions, any one or more of which may be waived by Reckson and the Operating Partnership:

(a) Representations and Warranties. The representations and warranties of the Purchaser Parties set forth in (i) Sections 3.2(c) (capital structure)(with respect to Parent and its operating partnership only and vote required), 3.2(d)(i) (Authority; No Violations, Consents and Approvals), 3.2(s) (Investment Company Act of 1940) shall be true and correct in all material respects; and (ii) all other sections of this Agreement shall be true and correct (without regard to any materiality or Parent Material Adverse Effect qualifier contained therein), except where the failure of such representations and warranties to be so true and correct would not reasonably be expected to constitute, individually or in the aggregate, a Parent Material Adverse Effect, in the case of each of clauses (i) and (ii), as of the date hereof and as of the Closing Date as if made on and as of such date (except to the extent that any such representation or warranty, by its terms, is expressly limited to a specific date, in which case, as of such specific date).

(b) Performance of Covenants and Agreements of Purchaser Parties. The Purchaser Parties shall have performed in all material respects all covenants and agreements required to be performed by them under this Agreement at or prior to the Effective Time.

(c) Material Adverse Change. Since the date of the Parent Balance Sheet, except as set forth in (i) any Covered Parent SEC Disclosure or (ii) in any Section of the Parent Disclosure Letter, there has not been a Parent Material Adverse Effect.

(d) Certificate. Reckson shall have received a certificate signed on behalf of Parent by an executive officer of Parent to the effect specified in Sections 6.3(a), 6.3(b) and 6.3(c).

(e) Tax Opinion. Parent shall have received a tax opinion of Solomon and Weinberg LLP (or other counsel to Parent reasonably satisfactory to Reckson), dated as of the Closing Date, in form and substance reasonably satisfactory to Reckson, opining that, commencing with Parent's taxable year ended December 31, 2000, Parent has been organized and operated in conformity with the requirements for qualification and taxation as a REIT under the Code and the proposed method of operation of Parent will enable Parent to continue to meet the requirements for qualification and taxation as a REIT under the Code. In rendering the opinion, such counsel shall be entitled to receive and rely on a customary representation letter from Parent.

ARTICLE VII

TERMINATION, AMENDMENT AND WAIVER

Section 7.1. Termination. This Agreement may be terminated at any time prior to the Effective Time whether before or after the Reckson Shareholder Approval or the Reckson Partner Approval is obtained:

(a) by mutual written consent of Reckson and Parent duly authorized by their board of trustees or board of directors, respectively;

(b) by either Reckson or Purchaser, if the Merger shall not have occurred on or prior to January 30, 2007 (the "TERMINATION DATE"); provided, however, that a party that has materially failed to comply with any obligation of such party set forth in this Agreement shall not be entitled to exercise its right to terminate under this Section 7.1(b);

(c) by Reckson, upon a breach of any representation, warranty, covenant or agreement on the part of the Purchaser Parties set forth in this Agreement, or if any representation or warranty of the Purchaser Parties shall have become untrue, in either case such that the conditions set forth in Section 6.3(a) or (b), as the case may be, would be incapable of being satisfied by the Termination Date;

(d) by Parent, upon a breach of any representation, warranty, covenant or agreement on the part of Reckson or the Operating Partnership set forth in this Agreement, or if any representation or warranty of Reckson shall have become untrue, in either case such that the conditions set forth in Section 6.2(a) or (b), as the case may be, would be incapable of being satisfied by the Termination Date;

(e) by either Reckson or Parent, if any Order by any Governmental Entity of competent authority preventing the consummation of the Merger shall have become final and nonappealable

(f) by either Reckson or Parent if, upon a vote at the Reckson Shareholder Meeting (after giving effect to any adjournment contemplated by Section 5.1(d)), the Reckson Shareholder Approval shall not have been obtained, as contemplated by Section 5.1;

(g) by Reckson, prior to the Reckson Shareholder Approval, if, in accordance with Section 5.6(b), at least three (3) Business Days prior to such termination, Reckson has delivered a Superior Notice; provided, that for the termination to be effective Reckson shall have paid the Break-Up Fee (as defined herein) in accordance with this Agreement; or

(h) by Parent if (i) the Reckson Board or the Reckson Committee shall have withdrawn, qualified or modified in a manner adverse to Parent, or shall have failed to make when required, the Reckson Recommendation or shall recommend that the Reckson Common Shareholders approve or accept a Competing Transaction, or if Reckson shall have delivered a Superior Notice or shall have publicly announced a decision to take any such action (it being agreed that none of the actions permitted by Section 5.6(a)(i), (ii) or (iii), or the public disclosure of any activities in connection therewith shall give rise to a right of termination hereunder), or (ii) Reckson shall have knowingly and materially breached its obligation under Section 5.1(a) or (b) to call or hold the Reckson Shareholder Meeting or to cause the Proxy Statement to be mailed to its shareholders in advance of the Reckson Shareholder Meeting (it being agreed that Parent shall not have any right to terminate hereunder unless Parent shall have satisfied its obligations in connection with the Form S-4 Registration Statement pursuant to Section 5.1(c) and shall have provided all information and other materials required in connection therewith, and further agreed Parent shall not have any right to terminate hereunder as a result of Reckson's failure to act as soon as practicable (or to satisfy similar obligations), as a result of any delay as a result of the SEC review process, or as a result of the need to take actions to comply with the federal securities laws);

A terminating party shall provide written notice of termination to the other parties specifying with particularity the basis for such termination. If more than one provision in this Section 7.1 is available to a terminating party in connection with a termination, a terminating party may rely on any or all available provisions in this Section 7.1 for any such termination. Notwithstanding the foregoing, Parent shall not be entitled to receive more than one Break-Up Fee (as defined below) or more than one payment in respect of Break-Up Expenses (as defined below) and Parent shall not be entitled to claim this Agreement was terminated pursuant to more than one provision of this Section 7.1 in determining the amount of payments it is entitled to under Section 7.2.

Section 7.2. Break-Up Fees and Expenses.

(a) Except as otherwise specified in this Section 7.2 or agreed in writing by the parties, all out-of-pocket costs and expenses incurred in connection with this Agreement, the Merger and the other transactions contemplated hereby and by this Agreement shall be paid by the party incurring such cost or expense.

(b) Reckson and the Operating Partnership agree that if this Agreement shall be terminated pursuant to (i) Section 7.1(d) following a material breach by Reckson of any of its (A) representations and warranties hereunder when made as of the date of this Agreement or (B) of its covenants hereunder, in each case if the result of such breach is to cause a condition set forth in Section 6.2(a) or (b), respectively to fail to be satisfied then Reckson will pay to Purchaser, or as directed by Purchaser, an amount equal to the Break-Up Expenses or (ii) Section 7.1(g) or 7.1(h), then Reckson will pay to Purchaser, or as directed by Purchaser, an amount equal to the Break-Up Fee including the Break-Up Expenses ; provided that, in either case, the applicable amount shall be paid promptly, but in no event later than five (5) Business Days after such termination in the case of termination pursuant to Section 7.1(d) or 7.1(h), or, in the case of termination pursuant to Section 7.1(g), simultaneously with such termination. Reckson also agrees that if this Agreement is terminated pursuant to Section 7.1(f), then Reckson shall pay to Purchaser, or as directed by Purchaser, promptly after such termination, an amount equal to the Break-Up Expenses. Reckson also agrees that if this Agreement is terminated pursuant to Section 7.1(f) and (i) after the date hereof and prior to such termination, a Person (or any representative of such Person) has made any bona fide written proposal relating to a Competing Transaction which has been publicly announced prior to the Reckson Shareholder Meeting and (ii) within twelve months of any such termination Reckson shall consummate a Competing Transaction, or enter into a written agreement with respect to a Competing Transaction that is ultimately consummated, with any Person, then Reckson shall pay to Purchaser, or as directed by Purchaser, promptly after consummating such Competing Transaction (but in no event later than five (5) Business Days following such consummation), an amount equal to the Break-Up Fee excluding any Break-Up Expenses. Payment of any of such amounts shall be made, as directed by Purchaser, by wire transfer of immediately available funds. For purposes of this Agreement, the "BREAK-UP FEE" shall be an amount equal to $99,800,000. For purposes of this Agreement, the "BREAK-UP EXPENSES" shall be an amount equal to the Purchaser Parties' documented out of pocket, third-party expenses incurred from and after July 13, 2006 in connection with this Agreement and the other transactions contemplated hereby (including reasonable attorneys', accountants', investment bankers' fees and expenses and fees and expenses incurred by the Purchaser Parties obtaining Financing for the transactions contemplated by this Agreement), but in no event shall be greater than $13,000,000.

(c) The foregoing provisions of this Section 7.2 have been agreed to by each of the parties hereto in order to induce the other parties to enter into this Agreement and to consummate the Merger and the other transactions contemplated by this Agreement, it being agreed and acknowledged by each of them that the execution of this Agreement by them constitutes full and reasonable consideration for such provisions.

Section 7.3. Effect of Termination. In the event of termination of this Agreement by either Reckson or Purchaser as provided in Section 7.1, this Agreement shall forthwith become void and have no effect, without any liability or obligation on the part of Reckson and the Operating Partnership, on the one hand, or Purchaser, on the other hand, other than as provided in Section 1.10, 1.11, 5.2(b), Section 7.1, Section 7.2, this Section 7.3 and Article VIII, provided that nothing contained herein shall relieve any Person of liability for fraud or a willful breach or Parent's failure to pay the Merger Consideration upon the satisfaction or waiver of the conditions to Closing set forth in Article VI.

Section 7.4. Amendment. Notwithstanding anything to the contrary herein, this Agreement may be amended by the parties in writing by action of their respective board of trustees or board of directors, or other comparable bodies, at any time before or after the Reckson Shareholder Approval or the Reckson Partner Approval are obtained and prior to the filing of the Articles of Merger with the Maryland Department with respect to the Merger; provided, however, that, after the Reckson Shareholder Approval is obtained, no such amendment, modification or supplement shall be made that would require the approval of the Reckson Common Shareholders without obtaining such approval.

Section 7.5. Extension; Waiver. At any time prior to the Effective Time, each of Reckson and the Operating Partnership, on the one hand, and Purchaser, on the other hand, may (a) extend the time for the performance of any of the obligations or other acts of the other party, (b) waive any inaccuracies in the representations and warranties of the other party contained in this Agreement or in any document delivered pursuant to this Agreement or (c) subject to the provisions of Section 7.4, waive compliance with any of the covenants, agreements or conditions of the other party contained in this Agreement. Any agreement on the part of a party to any such extension or waiver shall be valid only if set forth in an instrument in writing signed on behalf of such party. The failure of any party to this Agreement to assert any of its rights under this Agreement or otherwise shall not constitute a waiver of those rights.

Section 7.6. Payment of Amount or Expense.

(a) If Reckson (and the Operating Partnership, if applicable) are obligated to pay to Purchaser the Break-Up Fee or the Break-Up Expenses pursuant to Section 7.2(b) (the "BREAK-UP AMOUNT"), Reckson (and the Operating Partnership, if applicable) shall pay to Purchaser from the applicable Break-Up Amount deposited into escrow pursuant to an escrow agreement (the "ESCROW AGREEMENT"), if any, in accordance with the next sentence, an amount equal to the lesser of (i) the Break-Up Amount and (ii) the sum of (1) the maximum amount that can be paid to the Purchaser without causing the Purchaser to fail to meet the requirements of Sections 856(c) (2) and (3) of the Code determined as if the payment of such amount did not constitute income described in Sections 856(c)(2)(A)-(H) or 856(c)(3)(A)-(I) of the Code ("QUALIFYING INCOME"), as determined by the Purchaser's independent certified public accountants, plus (2) in the event the Purchaser receives either (A) a letter from the Purchaser's counsel indicating that the Purchaser has received a ruling from the IRS described in Section 7.6(b)(ii) or (B) an opinion from the Purchaser's outside counsel as described in Section 7.6(b)(ii), an amount equal to the Break-Up Amount less the amount payable under clause (1) above. To secure Reckson's (and the Operating Partnership's, if applicable) obligation to pay these amounts, Reckson shall deposit into escrow an amount in cash equal to the Break-Up Amount with an escrow agent selected by the Reckson and on such customary terms (subject to Section 7.6(b)) as shall be reasonably acceptable to each of Reckson, the Purchaser and the escrow agent. The payment or deposit into escrow of the Break-Up Amount pursuant to this Section 7.6(a) shall be made at the time Reckson is obligated to pay the Purchaser such amount pursuant to Section 7.2(b) by wire transfer of immediately available funds.

(b) The Escrow Agreement shall provide that the Break-Up Amount in escrow or any portion thereof shall not be released to the Purchaser unless the escrow agent receives any one or combination of the following: (i) a letter from the Purchaser's independent certified public accountants indicating the maximum amount that can be paid by the escrow agent to the Purchaser without causing the Purchaser to fail to meet the requirements of Sections 856(c)(2) and (3) of the Code determined as if the payment of such amount did not constitute Qualifying Income or a subsequent letter from the Purchaser's accountants revising that amount, in which case the escrow agent shall release such amount to the Purchaser, or (ii) a letter from the Purchaser's counsel indicating that the Purchaser received a ruling from the IRS holding that the receipt by the Purchaser of the Break-Up Amount would either constitute Qualifying Income or would be excluded from gross income within the meaning of Sections 856(c)(2) and (3) of the Code (or alternatively, the Purchaser's outside counsel has rendered a legal opinion to the effect that the receipt by the Purchaser of the Break-Up Amount would either constitute Qualifying Income or would be excluded from gross income within the meaning of Sections 856(c)(2) and (3) of the Code), in which case the Escrow Agreement shall provide that the escrow agent shall release to the Purchaser the lesser of such maximum amount stated in the accountant's letter referred to in clause (i) and the remainder of the Break-Up Amount. Reckson and the Operating Partnership agree to amend this Section 7.6 at the reasonable request of the Purchaser in order to (x) maximize the portion of the Break-Up Amount that may be distributed to the Purchaser hereunder without causing the Purchaser to fail to meet the requirements of Sections 856(c)(2) and (3) of the Code, (y) improve the Purchaser's chances of securing a favorable ruling described in this Section 7.6(b) or (z) assist the Purchaser in obtaining a favorable legal opinion from its outside counsel as described in this Section 7.6(b). The Escrow Agreement shall also provide that any portion of the Break-Up Amount held in escrow for five years shall be released by the escrow agent to Reckson. Neither Reckson nor the Operating Partnership shall be a party to such Escrow Agreement and shall not bear any cost of or have liability resulting from the Escrow Agreement.

ARTICLE VIII

GENERAL PROVISIONS

Section 8.1. Nonsurvival of Representations and Warranties. None of the representations and warranties in this Agreement or in any instrument delivered pursuant to this Agreement shall survive the Effective Time. This Section 8.1 shall not limit any covenant or agreement of the parties which by its terms contemplates performance after the Effective Time.

Section 8.2. Notices. All notices, requests, claims, demands and other communications under this Agreement shall be in writing (and also made orally if so required pursuant to any Section of the Agreement) and shall be deemed given if delivered personally, sent by overnight courier (providing proof of delivery) to the parties or sent by telecopy (providing confirmation of transmission) at the following addresses or telecopy numbers (or at such other address or telecopy number for a party as shall be specified by like notice):

(a) if to Purchaser Parties, to

SL Green Realty Corp.
420 Lexington Avenue
New York, New York 10170
Fax: (212) 216-1785
Attention: Andrew Levine, Esq.

with a copy to:

Clifford Chance US LLP
31 West 52nd Street
New York, NY 10019
Attn: Karl A. Roessner, Esq.
Larry P. Medvinsky, Esq.
Fax: (212) 878-8375

if to Reckson Parties, to

Reckson Associates Realty Corp.
625 Reckson Plaza
Uniondale, NY 11556
Fax: (212) 715-6535
Attention: Jason Barnett, Esq.

with a copy to:

Wachtell, Lipton, Rosen & Katz
51 West 52nd Street
New York, NY 10019
Attn.: Craig M. Wasserman, Esq.
Stephanie J. Seligman, Esq.
Fax: (212) 403-2000

Section 8.3. Interpretation. When a reference is made in this Agreement to an Article or a Section, such reference shall be to an Article or a Section of this Agreement unless otherwise indicated. The table of contents and headings contained in this Agreement are for reference purposes only and shall not affect in any way the meaning or interpretation of this Agreement. Whenever the words "include," "includes" or "including" are used in this Agreement, they shall be deemed to be followed by the words "without limitation". The words "hereof", "herein" and "hereby" refer to this Agreement. Any singular term in this Agreement shall be deemed to include the plural, and any plural term the singular.

Section 8.4. Specific Performance. The parties hereto agree that irreparable damage would occur in the event any of the provisions of this Agreement were not to be performed in accordance with the terms hereof and that the parties shall be entitled to specific performance of the terms hereof in addition to any other remedies at law or in equity.

Section 8.5. Counterparts. This Agreement may be executed in one or more counterparts, all of which shall be considered one and the same agreement and shall become effective when one or more counterparts have been signed by each of the parties and delivered to the other parties. Facsimile transmission of any signature and/or retransmission of any signature will be deemed the same as delivery of an original. At the request of any party, the parties will confirm facsimile transmission by signing a duplicate original document.

Section 8.6. Entire Agreement; No Third-Party Beneficiaries. This Agreement, and the Confidentiality Agreement constitute the entire agreement and supersede all prior agreements and understandings, both written and oral, between the parties with respect to the subject matter of this Agreement. Except for the rights of the Reckson shareholders (including holders of restricted Reckson Common Shares) to receive the Merger Consideration on or after the Effective Time, the right of the holders of LP Units to receive the Partnership Merger Consideration after the Partnership Merger Effective Time, the right of holders of LTIP OP Units to receive the payments under Section 1.5(b), the right of holders of Reckson Options pursuant to Section 1.8 and the right of Reckson and the Operating Partnership, on behalf of their respective shareholders and partners, to pursue damages (subject to Section 8.4) in the event of any of the Purchaser Parties' breach of any covenant or agreement contained in this Agreement and except for the provisions of Section 1.10 (Direct Purchase of Assets), Section 1.11 (Transfer of Reckson Properties) and Section 5.9 (Indemnification; Directors' and Officers' Insurance), this Agreement is not intended to and shall not confer upon any Person other than the parties hereto any rights or remedies hereunder.

Section 8.7. Governing Law. THIS AGREEMENT SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF MARYLAND, WITHOUT REGARD TO THE CONFLICTS OF LAWS PRINCIPLES THEREOF.

Section 8.8. Assignment. Neither this Agreement nor any of the rights, interests or obligations under this Agreement shall be assigned or delegated, in whole or in part, by operation of law or otherwise by any of the parties without the prior written consent of the other parties, provided that each of Purchaser, Wyoming Acquisition GP and Wyoming Acquisition LP shall be permitted to transfer or assign to one of its Affiliates the right to enter into the transactions contemplated by this Agreement, but no such transfer or assignment shall relieve such Person of its obligations hereunder and subject to the provisions of Section 8.4. Subject to the preceding sentence, this Agreement will be binding upon, inure to the benefit of, and be enforceable by, the parties and their respective successors and assigns.

Section 8.9. Severability. If any term, provision, covenant or restriction of this Agreement is held by a court of competent jurisdiction or other Governmental Entity to be invalid, void or unenforceable, the remainder of the terms, provisions, covenants and restrictions of this Agreement shall remain in full force and effect and shall in no way be affected, impaired or invalidated so long as the economic or legal substance of the transactions contemplated hereby is not affected in any manner materially adverse to any party. Upon such a determination, the parties shall negotiate in good faith to modify this Agreement so as to effect the original intent of the parties as closely as possible in an acceptable manner in order that the transactions contemplated hereby be consummated as originally contemplated to the fullest extent possible.

Section 8.10. Exhibits; Disclosure Letter. The Exhibits referred to herein and the Reckson Disclosure Letter, and all exhibits or attachments hereto or thereto, are intended to be and hereby are specifically made a part of this Agreement. Any matter set forth in any section or subsection of the Reckson Disclosure Letter shall be deemed to be a disclosure for all purposes of this Agreement and all other sections or subsections of the Reckson Disclosure Letter to the extent it is readily apparent from a reading of the disclosure that such disclosure is applicable to such other sections or subsections, but shall expressly not be deemed to constitute an admission by the Reckson or any of the Reckson Subsidiaries, or otherwise imply, that any such matter rises to the level of a Reckson Material Adverse Effect, or is otherwise material for purposes of this Agreement or the Reckson Disclosure Letter.

Section 8.11. Mutual Drafting. This Agreement shall be construed without regard to any presumption or rule requiring construction or interpretation against the party drafting or causing this Agreement to be drafted.

Section 8.12. Jurisdiction; Venue. THE PARTIES HEREBY IRREVOCABLY SUBMIT TO THE JURISDICTION OF THE COURTS OF THE STATE OF MARYLAND AND THE FEDERAL COURTS OF THE UNITED STATES OF AMERICA LOCATED IN THE STATE OF MARYLAND SOLELY IN RESPECT OF THE INTERPRETATION AND ENFORCEMENT OF THE PROVISIONS OF THIS AGREEMENT AND OF THE DOCUMENTS REFERRED TO IN THIS AGREEMENT, AND IN RESPECT OF THE TRANSACTIONS CONTEMPLATED HEREBY, AND HEREBY WAIVE, AND AGREE NOT TO ASSERT, AS A DEFENSE IN ANY ACTION, SUIT OR PROCEEDING FOR THE INTERPRETATION OR ENFORCEMENT HEREOF OR OF ANY SUCH DOCUMENT, THAT IT IS NOT SUBJECT THERETO OR THAT SUCH ACTION, SUIT OR PROCEEDING MAY NOT BE BROUGHT OR IS NOT MAINTAINABLE IN SAID COURTS OR THAT THE VENUE THEREOF MAY NOT BE APPROPRIATE OR THAT THIS AGREEMENT OR ANY SUCH DOCUMENT MAY NOT BE ENFORCED IN OR BY SUCH COURTS, AND THE PARTIES HERETO IRREVOCABLY AGREE THAT ALL CLAIMS WITH RESPECT TO SUCH ACTION OR PROCEEDING SHALL BE HEARD AND DETERMINED SOLELY IN SUCH A MARYLAND STATE OR FEDERAL COURT. THE PARTIES HEREBY CONSENT TO AND GRANT ANY SUCH COURT JURISDICTION OVER THE PERSON OF SUCH PARTIES AND OVER THE SUBJECT MATTER OF SUCH DISPUTE AND AGREE THAT MAILING OF PROCESS OR OTHER PAPERS IN CONNECTION WITH ANY SUCH ACTION OR PROCEEDING IN THE MANNER PROVIDED IN SECTION 8.2 OR IN SUCH OTHER MANNER AS MAY BE PERMITTED BY APPLICABLE LAWS, SHALL BE VALID AND SUFFICIENT SERVICE THEREOF.

Section 8.13. Waiver of Trial by Jury. EACH PARTY ACKNOWLEDGES AND AGREES THAT ANY CONTROVERSY WHICH MAY ARISE UNDER THIS AGREEMENT IS LIKELY TO INVOLVE COMPLICATED AND DIFFICULT ISSUES, AND THEREFORE EACH SUCH PARTY HEREBY IRREVOCABLY AND UNCONDITIONALLY WAIVES ANY RIGHT SUCH PARTY MAY HAVE TO A TRIAL BY JURY IN RESPECT OF ANY LITIGATION DIRECTLY OR INDIRECTLY ARISING OUT OF OR RELATING TO THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED BY THIS AGREEMENT. EACH PARTY CERTIFIES AND ACKNOWLEDGES THAT (A) NO REPRESENTATIVE, AGENT OR ATTORNEY OF ANY OTHER PARTY HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PARTY WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THE FOREGOING WAIVER, (B) EACH SUCH PARTY UNDERSTANDS AND HAS CONSIDERED THE IMPLICATIONS OF THIS WAIVER, (C) EACH SUCH PARTY MAKES THIS WAIVER VOLUNTARILY, AND (D) EACH SUCH PARTY HAS BEEN INDUCED TO ENTER INTO THIS AGREEMENT BY, AMONG OTHER THINGS, THE WAIVERS AND CERTIFICATIONS IN THIS SECTION 8.13.

ARTICLE IX

CERTAIN DEFINITIONS

Section 9.1. Certain Definitions. (a) For purposes of this Agreement:

"Affiliate" of any Person has the meaning assigned thereto by Rule 12b-2 under the Exchange Act.

"Business Day" means any day other than a Saturday, Sunday or a day on which banking institutions in New York, New York are authorized or obligated by law or executive order to be closed.

"Code" means the Internal Revenue Code of 1986, as amended.

"Controlled Group Liability" means any and all liabilities (i) under Title IV of ERISA, (ii) under section 302 of ERISA, (iii) under sections 412 and 4971 of the Code, and (iv) as a result of a failure to comply with the continuation coverage requirements of section 601 et seq. of ERISA and section 4980B of the Code.

"Delaware Secretary of State" means the Secretary of State of the State of Delaware.

"ERISA Affiliate" means, with respect to any entity, trade or business, any other entity that was, at the relevant time, required to be aggregated with such other entity, trade or business under Section 414(b), (c), (m) or (o) of the Code or Section 4001 of ERISA.

"Financing" means the financing of the transactions contemplated by this Agreement.

"Knowledge", or any similar expression, means with respect to Reckson (or any of its Subsidiaries) the actual knowledge of Reckson's CEO, President, General Counsel, Chief Operating Officer or Chief Administrative Officer and with respect to Parent means the executive officers of Parent.

"Law" means any federal, state or local or foreign statute, law, regulation, permit, license, approval, authorization, rule, ordinance or code of any Governmental Entity, including any judicial or administrative interpretation thereof.

"Liabilities" means any and all debts, liabilities and obligations of any nature whatsoever, whether accrued or fixed, absolute or contingent, including those arising under any Law, those arising under any contract, agreement, commitment, instrument, permit, license, franchise or undertaking and those arising as a result of any act or omission.

"MGCL" means the Maryland General Corporation Law, as amended.

"Order" means any award, judgment, injunction, consent, ruling, decree or order (whether temporary, preliminary or permanent) issued, adopted, granted, awarded or entered by any Governmental Entity or private arbitrator of competent jurisdiction.

"Parent Material Adverse Effect" means, with respect to Parent, any change, event, effect or set of circumstances that, when taken together with all other adverse changes, events, effects, or set of circumstances that have occurred, is or is reasonably likely to (x) be materially adverse to the business, operations, properties, financial condition, or assets of Parent and its Subsidiaries, taken as a whole; except for any such change, event, effect or set of circumstances resulting from (i) changes in political, economic or business conditions (including the commencement, continuation or escalation of a war, material armed hostilities or other material international or national calamity or acts of terrorism or earthquakes, hurricanes, other natural disasters or acts of God) affecting the business or industry in which Parent operates, except to the extent that such changes in political, economic or business conditions have a materially disproportionate adverse effect on Parent relative to other similarly situated participants, (ii) changes, after the date hereof, in financial and capital market conditions generally, (iii) changes, after the date hereof, in Laws of general applicability or interpretations thereof by courts or Governmental Entities, (iv) changes, after the date hereof, in GAAP applicable to the business or industry in which Parent operates generally, or (v) the announcement or performance of the transactions contemplated hereby or the consummation of the transactions contemplated hereby or (y) that has a material adverse effect on the ability of Parent to timely consummate the Mergers and the other transactions contemplated hereby or Parent's ability to obtain the Financing.

"Permitted Issuances" means issuances of any securities of Reckson or the Operating Partnership (a) in respect of the conversion or exchange of Convertible Senior Notes, (b) in respect of Common LP Units, Preferred LP Units or LTIP OP Units in accordance with the existing terms of applicable existing plans and agreements, (c) pursuant to awards under Reckson Employee Benefit Plans, (d) upon exercise of existing rights in favor of Reckson.

"Person" means an individual, corporation, partnership, limited liability company, joint venture, association, trust, unincorporated organization or other entity.

"Prorated Dividend" means the excess, if any, of (i) the product of $0.4246 and the Proration Factor over (ii) the product of (A) the amount of the last regular quarterly dividend declared by Parent prior to the Closing Date, (B) the Proration Factor and (C) the Exchange Ratio.

"Proration Factor" means the quotient obtained by dividing (A) the number of days between the last day of the last fiscal quarter with respect to which full quarterly dividends on the Reckson Common Shares have been declared and paid and the Closing Date (including the Closing Date) by (B) the total number of days in the fiscal quarter in which the Closing Date occurs,

"Reckson Material Adverse Effect" means, with respect to Reckson, any change, event, effect or set of circumstances that, when taken together with all other adverse changes, events, effects, or set of circumstances that have occurred, is or is reasonably likely to (x) be materially adverse to the business, operations, properties, financial condition, or assets of Reckson and the Reckson Subsidiaries, taken as a whole; except for any such change, event, effect or set of circumstances resulting from (i) changes in political, economic or business conditions (including the commencement, continuation or escalation of a war, material armed hostilities or other material international or national calamity or acts of terrorism or earthquakes, hurricanes, other natural disasters or acts of God) affecting the business or industry in which Reckson operates, except to the extent that such changes in political, economic or business conditions have a materially disproportionate adverse effect on Reckson relative to other similarly situated participants, (ii) changes, after the date hereof, in financial and capital market conditions generally, (iii) changes, after the date hereof, in Laws of general applicability or interpretations thereof by courts or Governmental Entities, (iv) changes, after the date hereof, in GAAP applicable to the business or industry in which Reckson operates generally, or (v) the announcement or performance of the transactions contemplated hereby or the consummation of the transactions contemplated hereby or (y) that has a material adverse effect on the ability of Reckson to timely consummate the Mergers and the other transactions contemplated hereby.

"Reckson Subsidiary" means each Subsidiary of Reckson; provided, however, the entities disclosed in Section 9.1 of the Reckson Disclosure Letter shall not be Subsidiaries of Reckson for purposes of this Agreement; and, provided, further, that for purposes of Sections 3.1(l) and (m) of this Agreement, no entity which is a partner in any joint venture with Reckson or an Reckson Subsidiary will be considered an Reckson Subsidiary.

"Subsidiary" of any Person means any corporation, partnership, limited liability company, joint venture or other legal entity of which (i) such Person, or its Subsidiary, is the general partner, managing manager or similar controlling Person or (ii) such Person (either directly or through or together with another Subsidiary of such Person) owns more than 50% of the capital stock, voting securities or ownership or equity interest or value of such corporation, partnership, limited liability company, joint venture or other legal entity. In the case of Parent, the term Subsidiary shall not include Gramercy Capital Corp. and its Subsidiaries.

"Tax" or "Taxes" means any U.S. federal, state, local and foreign taxes and similar governmental charges (together with any interest, penalties, or additions thereto), including, without limitation, income, gross receipts, license, withholding, property, recording, stamp, sales, use, franchise, employment, payroll, excise, environmental, value added, or gains taxes.

"Tax Protection Agreement" means any agreement, oral or written, to which Reckson or any Reckson Subsidiary is a party and pursuant to which: (i) any liability to the holders of the LP Units may arise relating to Taxes, whether or not as a result of the consummation of the transactions contemplated by this Agreement; (ii) in connection with the deferral of income Taxes of a holder of LP Units, Reckson or any Reckson Subsidiary has agreed to (A) maintain a minimum level of debt or continue a particular debt or (B) retain or not dispose of assets for a period of time that has not since expired; or (iii) limited partners of the Operating Partnership have guaranteed or otherwise assumed, directly or indirectly, debt of the Operating Partnership or are offered the opportunity to do so.

"Tax Return" means any return, report, declaration, statement or other information required to be supplied to any taxing authority.

(b) Each of the following additional terms is defined in the Section set forth opposite such term:

1031 Exchange..1.10
2004 LTIP OP Units...3.1(c)(ii)(C)
2005 LTIP OP Units...3.1(c)(ii)(C)
2006 LTIP OP Units...3.1(c)(ii)(C)
Agreement..Preamble
Articles of Merger...1.3(a)
Balance Sheet..3.1(e)
Break-Up Amount..7.6(a)
Break-Up Expenses..7.2(b)
Break-Up Fee...7.2(b)
Capital Budget...4.1(b)(x)
Cash Consideration...1.4(b)
Class B Common Stock...3.1(c)(i)(A)
Closing..1.2
Closing Date...1.2
Collective Bargaining Agreements.................................3.1(m)
Common LP Units..Recitals
Common Share Certificate...2.1(b)(i)
Company Rights Agreement...3.1(c)(i)(D)
Competing Transaction..5.5(c)
Confidentiality Agreement..5.2.(b)
Convertible Senior Notes...3.1(c)(i)(D)
Covered Employees..5.8(a)
Covered Parent SEC Disclosure....................................3.2
Covered Period...5.8(a)
Covered Reckson SEC Disclosure...................................3.2
Deeded Properties..1.11
Designated Properties..1.10
DRIP...1.9
DRULPA...Recitals
Effective Time...1.3(a)

*****

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be signed by their respective officers thereunto duly authorized, all as of the date first written above.

SL GREEN REALTY CORP.

By: /s/ Marc Holiday

Name: Marc Holiday
Title: President and CEO

WYOMING ACQUISITION CORP.

By: /s/ Marc Holiday

Name: Marc Holiday
Title: President and CEO

WYOMING ACQUISITION GP LLC

BY: SL GREEN OPERATING
PARTNERSHIP, L.P., ITS SOLE MEMBER
BY: SL GREEN REALTY CORP.
ITS GENERAL PARTNER

By: /s/ Marc Holiday

Name: Marc Holiday
Title: President and CEO

WYOMING ACQUISITION PARTNERSHIP LP

BY: WYOMING ACQUISITION GP LLC,
ITS GENERAL PARTNER
BY: SL GREEN OPERATING
PARTNERSHIP, L.P., ITS SOLE MEMBER
BY: SL GREEN REALTY CORP.
ITS GENERAL PARTNER

By: /s/ Marc Holiday

Name: Marc Holiday
Title: President and CEO

RECKSON ASSOCIATES REALTY CORP.

By: /s/ Peter Quick

Name: Peter Quick
Title: Lead Director

RECKSON OPERATING PARTNERSHIP, L.P.
BY: RECKSON ASSOCIATES REALTY
CORP., ITS GENERAL PARTNER

By: /s/ Peter Quick

Name: Peter Quick
Title: Lead Director

Exhibit 10.1

INDEMNIFICATION AGREEMENT

This Agreement, made and entered into as of the 10th day of July, 2006 (the "Agreement"), by and between Reckson Associates Realty Corp., a Maryland corporation (the "Company"), and Edward R. Casas ("Indemnitee").

WHEREAS, at the request of the Company, Indemnitee currently serves as a director of the Company and may, therefore, be subjected to claims, suits or proceedings arising as a result of his service; and

WHEREAS, Section 2-418 of the Maryland General Corporation Law (the "MGCL") sets forth the terms of permitted and required indemnification of, and advancement of expenses to, directors and officers of a Maryland corporation;

WHEREAS, as an inducement to Indemnitee to serve as such director, the Company has agreed to indemnify Indemnitee against expenses and costs incurred by Indemnitee in connection with any such claims, suits or proceedings, to the fullest extent that is lawful; and

WHEREAS, the parties by this Agreement desire to set forth their agreement regarding indemnification;

NOW, THEREFORE, in consideration of the premises and the covenants contained herein, the Company and Indemnitee do hereby covenant and agree as follows:

1. Acts or Omissions Covered by This Agreement.

This Agreement shall cover any act or omission by Indemnitee after the date of his commencement of service as a director, regardless of whether said act or omission occurred prior to the date of this Agreement, which (i) occurs or is alleged to have occurred by reason of his being or having been a director, (ii) occurs or is alleged to have occurred, during or after the time when Indemnitee served as a director and (iii) gives rise to, or is the direct or indirect subject of a claim in any threatened, pending or completed action, suit or proceeding at any time or times whether during or after his service as a director.

2. Indemnity.

(a) The Company shall indemnify the Indemnitee to the fullest lawful extent permitted by Maryland law (including, without limitation, indemnification permitted under Section 2-418(g) of the MGCL), as amended from time to time, in connection with any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative (a "Proceeding"), by reason of the fact that he is or was a director of the Company or is or was serving at the request of the Company as a director, trustee, officer, partner, employee or agent of another corporation, partnership, joint venture, trust or other enterprise and whether or not such action is by or in the right of the Company or that other corporation, partnership, joint venture, trust or other enterprise with respect to which the Indemnitee serves or has served.

(b) Notwithstanding anything to the contrary in subsection (a), the Company shall indemnify Indemnitee in a Proceeding initiated by Indemnitee only if Indemnitee acted with the authorization of the Company in initiating that proceeding. However, any proceeding brought by the Indemnitee to enforce his rights under this Agreement shall not be subject to this subsection (b).

(c) An indemnification under this Agreement shall be made upon Indemnitee's written request to the Board of Directors of the Company (the "Board of Directors"), setting forth the grounds and lawfulness of such indemnification. For purposes of this Agreement, references to "other enterprises" shall include, without limitation, employee benefit plans; references to "fines" shall include any excise taxes assessed on a person with respect to an employee benefit plan; and references to "serving at the request of the Company" shall include any service as a trustee, director, officer, employee or agent of any other partnership, trust or corporation which imposes duties on, or involves services by, Indemnitee which are requested in writing by the Board of Directors, or which involve services by such trustee, director, officer, employee or agent with respect to an employee benefit plan, its participants or beneficiaries.

3. Burden of Proof.

Indemnitee shall be presumed to be entitled to indemnification for any act or omission covered in Section 1 or 2 of this Agreement. The burden of proof of establishing that Indemnitee is not entitled to indemnification because of the failure to fulfill some requirement of Maryland law, the charter of the Company, or bylaws as in effect from time to time or this Agreement shall be on the Company.

4. Notice by Indemnitee.

Indemnitee shall notify the Company in writing of any matter with respect to which Indemnitee intends to seek indemnification hereunder as soon as reasonably practicable following the receipt by Indemnitee of written threat thereof, provided that failure to so notify the Company shall not constitute a waiver by Indemnitee of his rights hereunder.

5. Advancement of Expenses.

In the event of any Proceeding involving Indemnitee which may give rise to a right of indemnification from the Company pursuant to this Agreement, the Company shall advance to Indemnitee amounts to cover expenses (including fees and disbursements of counsel) incurred by Indemnitee in connection with any Proceeding in advance of final disposition within one business day after receipt by the Company of (i) an undertaking by or on behalf of the Indemnitee to repay the amount advanced in the event that it shall be ultimately determined in accordance with this Agreement that he is not entitled to indemnification by the Company, (ii) a written affirmation by the Indemnitee of his good faith belief that the standard of conduct necessary for indemnification by the Company has been met and (iii) satisfactory evidence as to the amount of such expenses. Indemnitee's written certification together with a copy of the statement paid or to be paid by Indemnitee shall constitute satisfactory evidence of the amount of such expenses.

6. Defense of Claim.

The Indemnitee shall have the absolute right to employ his own counsel in respect of any Proceeding; provided, that in the event that more than one director or executive officer is entitled to indemnification under this Agreement or a similar agreement arising out of the same Proceeding, all such directors or executive officers, including Indemnitee, shall, to the extent practicable, endeavor to use the same counsel; and further provided that the counsel selected by the Indemnitee would not be precluded as a matter of professional ethics from representing the Company or a person adverse to the Company.

7. Non-Exclusivity of Right of Indemnification.

The indemnification rights granted to Indemnitee under this Agreement shall not be deemed exclusive of, or in limitation of, any rights to which Indemnitee may be entitled under Maryland law, the charter of the Company, or bylaws, any other agreement, vote of stockholders or directors or otherwise.

8. Term of Agreement and Survival of Right of Indemnification.

(a) Subject to subparagraph (b) of this section, the term of this Agreement shall continue for as long as the Indemnitee serves as a director of the Company.

(b) The rights granted to Indemnitee hereunder shall continue after termination as provided in Section 1 and shall inure to the benefit of Indemnitee, his personal representative, heirs, executors, administrators and beneficiaries, and this Agreement shall be binding upon the Company, its successors and assigns.

9. Legal Fees and Expenses.

The Company shall pay all legal fees and expenses which Indemnitee may incur to collect money due under this Agreement or as a result of the Company's contesting the validity or enforceability of this Agreement.

10. Governing Law.

This Agreement shall be governed by the laws of the State of Maryland.

11. Severability.

If any provision of this Agreement is determined to be invalid or unenforceable, the invalidity or unenforceability shall not affect the validity or enforceability of any other provision of this Agreement, and this Agreement shall be interpreted as though the invalid or unenforceable provision was not a part of this Agreement.

12. Changes in Law.

This Agreement is intended to provide to Indemnitee, to the fullest lawful extent permitted by Maryland law as in effect from time to time, indemnification and advancement of expenses in connection with a Proceeding as described in Sections 2 and 5 hereof; provided, however, that no change in Maryland law shall have the effect of reducing the benefits available to Indemnitee hereunder based on Maryland law as in effect on the date hereof.

The parties have executed this Agreement as of the day and year first above stated.

RECKSON ASSOCIATES REALTY CORP.

By: /s/ Scott H. Rechler

Name: Scott H. Rechler
Title: Chief Executive Officer

INDEMNITEE

/s/ Edward R. Casas

Name: Edward R. Casas

Exhibit 10.2

AGREEMENT TO AMEND EMPLOYMENT AND NONCOMPETITION AGREEMENT AND SEVERANCE AGREEMENT

This Agreement to Amend the Amendment and Restatement of Employment and Noncompetition Agreement and the Amendment and Restatement of Severance Agreement (the "Amendment Agreement") is entered into this 3rd day of August, 2006, by and between Scott Rechler (the "Executive") and Reckson Associates Realty Corp. (the "Employer").

WHEREAS, the Executive and the Employer are parties to (a) the Amendment and Restatement of Employment and Noncompetition Agreement (the "Original Agreement"), dated as of August 15, 2000, by and between the Executive and the Employer as amended by the Agreement for Extension of Employment and Noncompetition Agreement (the "Initial Extension Agreement"), dated September 27, 2005, by and between the Executive and the Employer, the Agreement for Extension of Employment and Noncompetition Agreement (the "Second Extension Agreement"), dated December 6, 2005 and the Agreement for Extension of Employment and Noncompetition Agreement (the "Third Extension Agreement" and, together with the Initial Extension Agreement and the Second Extension Agreement, the "Extension Agreements"), dated February 14, 2006 (the Original Agreement as amended by the Extension Agreements, the "Employment Agreement") and (b) the Amendment and Restatement of Severance Agreement dated as of August 15, 2000 (the "Severance Agreement");

WHEREAS, the Executive and the Employer wish to amend the Employment Agreement to extend the term in all respects through and including April 30, 2007; and

WHEREAS, in connection with the transactions contemplated by the Agreement and Plan of Merger by and among Spirit, Wyoming Acquisition Corp., Wyoming Acquisition GP, Wyoming Acquisition Partnership LP, RRR and RRR Operating Partnership, L.P. dated as of the date herewith (the "Merger Agreement"), the Executive and Employer wish to amend the Employment Agreement and the Severance Agreement in certain other respects, provided, that in the event the Merger Agreement (and the transactions contemplated by the Merger Agreement) terminates pursuant to Section 7.1 of the Merger Agreement (a "Termination Event"), certain amendments set forth herein automatically will be deemed to be of no force and effect and will be void ab initio.

NOW, THEREFORE, the Executive and the Employer hereby agree as follows:

1. The term of the Employment Agreement is hereby extended through and including April 30, 2007. The Employment Agreement shall terminate on May 1, 2007 unless extended for such period or periods, if any, as agreed to by the Executive and the Employer (subject to earlier termination as provided therein). In accordance with the foregoing, all rights, duties and obligations set forth under the Employment Agreement shall be in full force and effect through and including April 30, 2007, unless sooner terminated by the Executive and the Employer.

2. Section 8 of the Employment Agreement is hereby amended and restated in its entirety to read as follows:

"8. Noncompetition Covenant.

(a) Because Executive's services to the Employer are essential and because Executive has access to the Employer's confidential information, Executive covenants and agrees that commencing on the date hereof until the earlier to occur of (i) August 3, 2007 and (ii) the six-month anniversary of the Closing Date (as defined in the Merger Agreement), the Executive will not:

(A) engage, participate or assist, as an owner, partner, director, officer, trustee or agent, in any business that primarily engages or attempts to engage in, directly or indirectly, the acquisition, operation or management of any office real estate property in any of the submarkets in the borough of Manhattan, New York, or

(B) intentionally interfere with, disrupt or attempt to disrupt the relationship, contractual or otherwise, between the Employer or its affiliates and any tenant, supplier, contractor, lender, employee or governmental agency or authority in connection with any office real estate property in the borough of Manhattan, New York.

(b) Notwithstanding anything contained herein to the contrary, Executive is not prohibited by this Section 8 from (i) making investments in any entity that engages, directly or indirectly, in the acquisition, development, construction, operation, management or leasing of industrial or office real estate properties, regardless of where they are located, if the shares or other ownership interests of such entity are publicly traded and Executive's aggregate investment in such entity constitutes less than five percent (5%) of the equity ownership of such entity, or (ii) providing services to FrontLine and its affiliates.

(c) The provisions of this Section 8 shall survive the termination of this Agreement."

Notwithstanding the foregoing, in the event a Termination Event occurs, the amendments set forth herein to Section 8 of the Employment Agreement automatically will be deemed to be of no force and effect and will be void ab initio, and the original provisions of Section 8 of the Employment Agreement will remain in effect.

3. Section 2 of the Severance Agreement is hereby amended and restated in its entirety to read as follows:

"2. Term. The term and duration of this Agreement shall be identical to the term of the Employment Agreement, provided, however, that if a Change-in-Control shall occur during the Employment Period, the term of this Agreement, the Employment Agreement and the Employment Period shall continue in effect until the later of (i) the date on which the term of the Employment Agreement otherwise would have ended or (ii) the date which is thirty-six months beyond the end of the calendar year in which the Change-in-Control occurs. Section 1 of the Employment Agreement is hereby amended in accordance with the foregoing."

4. Section 3 of the Severance Agreement is hereby amended to include the addition of the following Section 3(d):

"(d) Cap on Payments. The Executive acknowledges and agrees that the maximum amount of the Severance Payment and other payments to be paid to him under Sections 3(c)(i) (other than accrued base salary and vacation), 3(c)(ii), 3(c)(iv), 3(c)(vi) and 3(c)(viii) of the Severance Agreement will not exceed $24,962,267. In addition, the Executive hereby waives the vesting and payment and any other rights with respect to those unvested LTIP OP Units as set forth on Schedule I (as defined in the Merger Agreement).

For purposes of clarification, the parties agree that nothing herein is intended to limit (1) any payments that may be due to the Executive under Sections 3(c)(iii), 3(c)(v), 3(c)(vii), 4, 5 or 6 of the Severance Agreement, (2) payment of the Special Outperformance LTIP or (3) non-cash benefits (other than as provided above) such as the vesting or exercise of restricted stock or other stock rights, stock loan forgiveness, profits interests in the operating partnership, partnership units and assignment of split dollar life insurance policies.

The Executive agrees that the Employer may in its discretion pay, in cash or a note, the Severance Payments during calendar year 2006."

Notwithstanding the foregoing, in the event a Termination Event occurs, the amendment set forth herein to Section 3 of the Severance Agreement automatically will be deemed to be of no force and effect and will be void ab initio, and the original provisions of Section 3 of the Severance Agreement will remain in effect.

5. Section 5 of the Severance Agreement is hereby amended to include the addition of the following sentence:

"Notwithstanding anything else to the contrary set forth herein, in the event tax counsel selected by the Executive and reasonably acceptable to the Employer determines that the aggregate amount of all Payments the Executive will receive would equal or exceed 105% of the Reduced Amount, the Severance Amount will be reduced by the amount necessary so that the Payments are equal to the Reduced Amount.

For purposes of this Section 5, a "Payment" shall mean any payment or distribution in the nature of compensation to or for the benefit of the Executive, whether paid or payable pursuant to this Agreement or otherwise; "Present Value" shall mean such value as determined in accordance with Sections 280G(b)(2)(A)(ii) and 280G(d)(4) of the Code; and "Reduced Amount" shall mean an amount expressed in Present Value that maximizes the aggregate Present Value of Payments without causing any Payment to be taxable under Section 4999 of the Code."

Notwithstanding the foregoing, in the event a Termination Event occurs, the amendment set forth herein to Section 5 of the Severance Agreement automatically will be deemed to be of no force and effect and will be void ab initio, and the original provisions of Section 5 of the Severance Agreement will remain in effect.

6. The provisions of Sections 4, 5 and 6 of the Severance Agreement will survive any termination of the Employment Agreement and the Severance Agreement.

7. This Amendment Agreement may be amended, modified or supplemented by the mutual consent of the parties in writing, but no oral amendment, modification or supplement shall be effective.

8. This Amendment Agreement shall be construed and governed by the laws of the State of New York.

* * * * *

IN WITNESS WHEREOF, this Amendment Agreement is entered into as of the date first set forth above.

RECKSON ASSOCIATES REALTY CORP.

By: /s/ Peter Quick

Name: Peter Quick
Title: Lead Director

By: /s/ Scott Rechler

Scott Rechler

Exhibit 10.3

AGREEMENT TO AMEND EMPLOYMENT
AND NONCOMPETITION AGREEMENT AND SEVERANCE AGREEMENT

This Agreement to Amend the Amendment and Restatement of Employment and Noncompetition Agreement and the Amendment and Restatement of Severance Agreement (the "Amendment Agreement") is entered into this 3rd day of August, 2006, by and between Michael Maturo (the "Executive") and Reckson Associates Realty Corp. (the "Employer").

WHEREAS, the Executive and the Employer are parties to (a) the Amendment and Restatement of Employment and Noncompetition Agreement (the "Original Agreement"), dated as of August 15, 2000, by and between the Executive and the Employer as amended by the Agreement for Extension of Employment and Noncompetition Agreement (the "Initial Extension Agreement"), dated September 27, 2005, by and between the Executive and the Employer, the Agreement for Extension of Employment and Noncompetition Agreement (the "Second Extension Agreement"), dated December 6, 2005 and the Agreement for Extension of Employment and Noncompetition Agreement (the "Third Extension Agreement" and, together with the Initial Extension Agreement and the Second Extension Agreement, the "Extension Agreements"), dated February 14, 2006 (the Original Agreement as amended by the Extension Agreements, the "Employment Agreement") and (b) the Amendment and Restatement of Severance Agreement dated as of August 15, 2000 (the "Severance Agreement");

WHEREAS, the Executive and the Employer wish to amend the Employment Agreement to extend the term in all respects through and including April 30, 2007; and

WHEREAS, in connection with the transactions contemplated by the Agreement and Plan of Merger by and among Spirit, Wyoming Acquisition Corp., Wyoming Acquisition GP, Wyoming Acquisition Partnership LP, RRR and RRR Operating Partnership, L.P. dated as of the date herewith (the "Merger Agreement"), the Executive and Employer wish to amend the Employment Agreement and the Severance Agreement in certain other respects, provided, that in the event the Merger Agreement (and the transactions contemplated by the Merger Agreement) terminates pursuant to Section 7.1 of the Merger Agreement (a "Termination Event"), certain amendments set forth herein automatically will be deemed to be of no force and effect and will be void ab initio.

NOW, THEREFORE, the Executive and the Employer hereby agree as follows:

1. The term of the Employment Agreement is hereby extended through and including April 30, 2007. The Employment Agreement shall terminate on May 1, 2007 unless extended for such period or periods, if any, as agreed to by the Executive and the Employer (subject to earlier termination as provided therein). In accordance with the foregoing, all rights, duties and obligations set forth under the Employment Agreement shall be in full force and effect through and including April 30, 2007, unless sooner terminated by the Executive and the Employer.

2. Section 8 of the Employment Agreement is hereby amended and restated in its entirety to read as follows:

"8. Noncompetition Covenant.

(a) Because Executive's services to the Employer are essential and because Executive has access to the Employer's confidential information, Executive covenants and agrees that commencing on the date hereof until the earlier to occur of (i) August 3, 2007 and (ii) the six-month anniversary of the Closing Date (as defined in the Merger Agreement), the Executive will not:

(A) engage, participate or assist, as an owner, partner, director, officer, trustee or agent, in any business that primarily engages or attempts to engage in, directly or indirectly, the acquisition, operation or management of any office real estate property in any of the submarkets in the borough of Manhattan, New York, or

(B) intentionally interfere with, disrupt or attempt to disrupt the relationship, contractual or otherwise, between the Employer or its affiliates and any tenant, supplier, contractor, lender, employee or governmental agency or authority in connection with any office real estate property in the borough of Manhattan, New York.

(b) Notwithstanding anything contained herein to the contrary, Executive is not prohibited by this Section 8 from (i) making investments in any entity that engages, directly or indirectly, in the acquisition, development, construction, operation, management or leasing of industrial or office real estate properties, regardless of where they are located, if the shares or other ownership interests of such entity are publicly traded and Executive's aggregate investment in such entity constitutes less than five percent (5%) of the equity ownership of such entity, or (ii) providing services to FrontLine and its affiliates.

(c) The provisions of this Section 8 shall survive the termination of this Agreement."

Notwithstanding the foregoing, in the event a Termination Event occurs, the amendments set forth herein to Section 8 of the Employment Agreement automatically will be deemed to be of no force and effect and will be void ab initio, and the original provisions of Section 8 of the Employment Agreement will remain in effect.

3. Section 2 of the Severance Agreement is hereby amended and restated in its entirety to read as follows:

"2. Term. The term and duration of this Agreement shall be identical to the term of the Employment Agreement, provided, however, that if a Change-in-Control shall occur during the Employment Period, the term of this Agreement, the Employment Agreement and the Employment Period shall continue in effect until the later of (i) the date on which the term of the Employment Agreement otherwise would have ended or (ii) the date which is thirty-six months beyond the end of the calendar year in which the Change-in-Control occurs. Section 1 of the Employment Agreement is hereby amended in accordance with the foregoing."

4. Section 3 of the Severance Agreement is hereby amended to include the addition of the following Section 3(d):

"(d) Cap on Payments. The Executive acknowledges and agrees that the maximum amount of the Severance Payment and other payments to be paid to him under Sections 3(c)(i) (other than accrued base salary and vacation), 3(c)(ii), 3(c)(iv), 3(c)(vi) and 3(c)(viii) of the Severance Agreement will not exceed $17,600,637. In addition, the Executive hereby waives the vesting and payment and any other rights with respect to those unvested LTIP OP Units as set forth on Schedule I (as defined in the Merger Agreement).

For purposes of clarification, the parties agree that nothing herein is intended to limit (1) any payments that may be due to the Executive under Sections 3(c)(iii), 3(c)(v), 3(c)(vii), 4, 5 or 6 of the Severance Agreement, (2) payment of the Special Outperformance LTIP or (3) non-cash benefits (other than as provided above) such as the vesting or exercise of restricted stock or other stock rights, stock loan forgiveness, profits interests in the operating partnership, partnership units and assignment of split dollar life insurance policies.

The Executive agrees that the Employer may in its discretion pay, in cash or a note, the Severance Payments during calendar year 2006."

Notwithstanding the foregoing, in the event a Termination Event occurs, the amendment set forth herein to Section 3 of the Severance Agreement automatically will be deemed to be of no force and effect and will be void ab initio, and the original provisions of Section 3 of the Severance Agreement will remain in effect.

5. Section 5 of the Severance Agreement is hereby amended to include the addition of the following sentence:

"Notwithstanding anything else to the contrary set forth herein, in the event tax counsel selected by the Executive and reasonably acceptable to the Employer determines that the aggregate amount of all Payments the Executive will receive would equal or exceed 105% of the Reduced Amount, the Severance Amount will be reduced by the amount necessary so that the Payments are equal to the Reduced Amount.

For purposes of this Section 5, a "Payment" shall mean any payment or distribution in the nature of compensation to or for the benefit of the Executive, whether paid or payable pursuant to this Agreement or otherwise; "Present Value" shall mean such value as determined in accordance with Sections 280G(b)(2)(A)(ii) and 280G(d)(4) of the Code; and "Reduced Amount" shall mean an amount expressed in Present Value that maximizes the aggregate Present Value of Payments without causing any Payment to be taxable under Section 4999 of the Code."

Notwithstanding the foregoing, in the event a Termination Event occurs, the amendment set forth herein to Section 5 of the Severance Agreement automatically will be deemed to be of no force and effect and will be void ab initio, and the original provisions of Section 5 of the Severance Agreement will remain in effect.

6. The provisions of Sections 4, 5 and 6 of the Severance Agreement will survive any termination of the Employment Agreement and the Severance Agreement.

7. This Amendment Agreement may be amended, modified or supplemented by the mutual consent of the parties in writing, but no oral amendment, modification or supplement shall be effective.

8. This Amendment Agreement shall be construed and governed by the laws of the State of New York.

* * * * *

IN WITNESS WHEREOF, this Amendment Agreement is entered into as of the date first set forth above.

RECKSON ASSOCIATES REALTY CORP.

By: /s/ Peter Quick

Name: Peter Quick
Title: Lead Director

By: /s/ Michael Maturo

Michael Maturo

Exhibit 10.4

AGREEMENT TO AMEND EMPLOYMENT
AND NONCOMPETITION AGREEMENT AND SEVERANCE AGREEMENT

This Agreement to Amend the Amendment and Restatement of Employment and Noncompetition Agreement and the Amendment and Restatement of Severance Agreement (the "Amendment Agreement") is entered into this 3rd day of August, 2006, by and between Jason Barnett (the "Executive") and Reckson Associates Realty Corp. (the "Employer").

WHEREAS, the Executive and the Employer are parties to (a) the Amendment and Restatement of Employment and Noncompetition Agreement (the "Original Agreement"), dated as of August 15, 2000, by and between the Executive and the Employer as amended by the Agreement for Extension of Employment and Noncompetition Agreement (the "Initial Extension Agreement"), dated September 27, 2005, by and between the Executive and the Employer, the Agreement for Extension of Employment and Noncompetition Agreement (the "Second Extension Agreement"), dated December 6, 2005 and the Agreement for Extension of Employment and Noncompetition Agreement (the "Third Extension Agreement" and, together with the Initial Extension Agreement and the Second Extension Agreement, the "Extension Agreements"), dated February 14, 2006 (the Original Agreement as amended by the Extension Agreements, the "Employment Agreement") and (b) the Amendment and Restatement of Severance Agreement dated as of August 15, 2000 (the "Severance Agreement");

WHEREAS, the Executive and the Employer wish to amend the Employment Agreement to extend the term in all respects through and including April 30, 2007; and

WHEREAS, in connection with the transactions contemplated by the Agreement and Plan of Merger by and among Spirit, Wyoming Acquisition Corp., Wyoming Acquisition GP, Wyoming Acquisition Partnership LP, RRR and RRR Operating Partnership, L.P. dated as of the date herewith (the "Merger Agreement"), the Executive and Employer wish to amend the Employment Agreement and the Severance Agreement in certain other respects, provided, that in the event the Merger Agreement (and the transactions contemplated by the Merger Agreement) terminates pursuant to Section 7.1 of the Merger Agreement (a "Termination Event"), certain amendments set forth herein automatically will be deemed to be of no force and effect and will be void ab initio.

NOW, THEREFORE, the Executive and the Employer hereby agree as follows:

1. The term of the Employment Agreement is hereby extended through and including April 30, 2007. The Employment Agreement shall terminate on May 1, 2007 unless extended for such period or periods, if any, as agreed to by the Executive and the Employer (subject to earlier termination as provided therein). In accordance with the foregoing, all rights, duties and obligations set forth under the Employment Agreement shall be in full force and effect through and including April 30, 2007, unless sooner terminated by the Executive and the Employer.

2. Section 8 of the Employment Agreement is hereby amended and restated in its entirety to read as follows:

"8. Noncompetition Covenant.

(a) Because Executive's services to the Employer are essential and because Executive has access to the Employer's confidential information, Executive covenants and agrees that commencing on the date hereof until the earlier to occur of (i) August 3, 2007 and (ii) the six-month anniversary of the Closing Date (as defined in the Merger Agreement), the Executive will not:

(A) engage, participate or assist, as an owner, partner, director, officer, trustee or agent, in any business that primarily engages or attempts to engage in, directly or indirectly, the acquisition, operation or management of any office real estate property in any of the submarkets in the borough of Manhattan, New York, or

(B) intentionally interfere with, disrupt or attempt to disrupt the relationship, contractual or otherwise, between the Employer or its affiliates and any tenant, supplier, contractor, lender, employee or governmental agency or authority in connection with any office real estate property in the borough of Manhattan, New York.

(b) Notwithstanding anything contained herein to the contrary, Executive is not prohibited by this Section 8 from (i) making investments in any entity that engages, directly or indirectly, in the acquisition, development, construction, operation, management or leasing of industrial or office real estate properties, regardless of where they are located, if the shares or other ownership interests of such entity are publicly traded and Executive's aggregate investment in such entity constitutes less than five percent (5%) of the equity ownership of such entity, or (ii) providing services to FrontLine and its affiliates.

(c) The provisions of this Section 8 shall survive the termination of this Agreement."

Notwithstanding the foregoing, in the event a Termination Event occurs, the amendments set forth herein to Section 8 of the Employment Agreement automatically will be deemed to be of no force and effect and will be void ab initio, and the original provisions of Section 8 of the Employment Agreement will remain in effect.

3. Section 2 of the Severance Agreement is hereby amended and restated in its entirety to read as follows:

"2. Term. The term and duration of this Agreement shall be identical to the term of the Employment Agreement, provided, however, that if a Change-in-Control shall occur during the Employment Period, the term of this Agreement, the Employment Agreement and the Employment Period shall continue in effect until the later of (i) the date on which the term of the Employment Agreement otherwise would have ended or (ii) the date which is thirty-six months beyond the end of the calendar year in which the Change-in-Control occurs. Section 1 of the Employment Agreement is hereby amended in accordance with the foregoing."

4. Section 3 of the Severance Agreement is hereby amended to include the addition of the following Section 3(d):

"(d) Cap on Payments. The Executive acknowledges and agrees that the maximum amount of the Severance Payment and other payments to be paid to him under Sections 3(c)(i) (other than accrued base salary and vacation), 3(c)(ii), 3(c)(iv), 3(c)(vi) and 3(c)(viii) of the Severance Agreement will not exceed $8,456,620. In addition, the Executive hereby waives the vesting and payment and any other rights with respect to those unvested LTIP OP Units as set forth on Schedule I (as defined in the Merger Agreement).

For purposes of clarification, the parties agree that nothing herein is intended to limit (1) any payments that may be due to the Executive under Sections 3(c)(iii), 3(c)(v), 3(c)(vii), 4, 5 or 6 of the Severance Agreement, (2) payment of the Special Outperformance LTIP or (3) non-cash benefits (other than as provided above) such as the vesting or exercise of restricted stock or other stock rights, stock loan forgiveness, profits interests in the operating partnership, partnership units and assignment of split dollar life insurance policies.

The Executive agrees that the Employer may in its discretion pay, in cash or a note, the Severance Payments during calendar year 2006."

Notwithstanding the foregoing, in the event a Termination Event occurs, the amendment set forth herein to Section 3 of the Severance Agreement automatically will be deemed to be of no force and effect and will be void ab initio, and the original provisions of Section 3 of the Severance Agreement will remain in effect.

5. Section 5 of the Severance Agreement is hereby amended to include the addition of the following sentence:

"Notwithstanding anything else to the contrary set forth herein, in the event tax counsel selected by the Executive and reasonably acceptable to the Employer determines that the aggregate amount of all Payments the Executive will receive would equal or exceed 105% of the Reduced Amount, the Severance Amount will be reduced by the amount necessary so that the Payments are equal to the Reduced Amount.

For purposes of this Section 5, a "Payment" shall mean any payment or distribution in the nature of compensation to or for the benefit of the Executive, whether paid or payable pursuant to this Agreement or otherwise; "Present Value" shall mean such value as determined in accordance with Sections 280G(b)(2)(A)(ii) and 280G(d)(4) of the Code; and "Reduced Amount" shall mean an amount expressed in Present Value that maximizes the aggregate Present Value of Payments without causing any Payment to be taxable under Section 4999 of the Code."

Notwithstanding the foregoing, in the event a Termination Event occurs, the amendment set forth herein to Section 5 of the Severance Agreement automatically will be deemed to be of no force and effect and will be void ab initio, and the original provisions of Section 5 of the Severance Agreement will remain in effect.

6. The provisions of Sections 4, 5 and 6 of the Severance Agreement will survive any termination of the Employment Agreement and the Severance Agreement.

7. This Amendment Agreement may be amended, modified or supplemented by the mutual consent of the parties in writing, but no oral amendment, modification or supplement shall be effective.

8. This Amendment Agreement shall be construed and governed by the laws of the State of New York.

* * * * *

IN WITNESS WHEREOF, this Amendment Agreement is entered into as of the date first set forth above.

RECKSON ASSOCIATES REALTY CORP.

By: /s/ Peter Quick

Name: Peter Quick
Title: Lead Director

By: /s/ Jason Barnett

Jason Barnett

RECKSON OPERATING PARTNERSHIP, L.P.

EXHIBIT 31.1

CERTIFICATION OF SCOTT H. RECHLER, CHAIRMAN OF THE BOARD, CHIEF EXECUTIVE OFFICER AND DIRECTOR OF RECKSON ASSOCIATES REALTY CORP., THE SOLE GENERAL PARTNER OF THE REGISTRANT, PURSUANT TO RULE 13A - 14(A)/15(D) - 14(A)

I, Scott H. Rechler, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Reckson Operating Partnership, L.P.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Registrant as of, and for, the periods presented in this report;

4. The Registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Registrant and have:

   a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) evaluated the effectiveness of the Registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) disclosed in this report any change in the Registrant's internal control over financial reporting that occurred during the Registrant's most recent fiscal quarter (the Registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the Registrant's internal control over financial reporting; and

5. The Registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Registrant's auditors and the audit committee of the Registrant's Board of Directors (or persons performing the equivalent functions):

   a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Registrant's ability to record, process, summarize and report financial information; and

   b) any fraud, whether or not material, that involves management or other employees who have a significant role in the Registrant's internal control over financial reporting.

Date: August 14, 2006

/s/ Scott H. Rechler

Scott H. Rechler
Chairman of the Board, Chief Executive Officer
and Director of Reckson Associates Realty Corp.,
the sole general partner of the Registrant

RECKSON OPERATING PARTNERSHIP, L.P.
EXHIBIT 31.2
CERTIFICATION OF MICHAEL MATURO, PRESIDENT, TREASURER, CHIEF FINANCIAL OFFICER AND DIRECTOR OF RECKSON ASSOCIATES REALTY CORP., THE SOLE GENERAL PARTNER OF THE REGISTRANT, PURSUANT TO RULE 13A - 14(A)/15(D) - 14(A)

I, Michael Maturo, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Reckson Operating Partnership, L.P.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Registrant as of, and for, the periods presented in this report;

4. The Registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Registrant and have:

   a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) evaluated the effectiveness of the Registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) disclosed in this report any change in the Registrant's internal control over financial reporting that occurred during the Registrant's most recent fiscal quarter (the Registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the Registrant's internal control over financial reporting; and

5. The Registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Registrant's auditors and the audit committee of the Registrant's Board of Directors (or persons performing the equivalent functions):

   a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Registrant's ability to record, process, summarize and report financial information; and

   b) any fraud, whether or not material, that involves management or other employees who have a significant role in the Registrant's internal control over financial reporting.

Date: August 14, 2006

/s/ Michael Maturo

Michael Maturo
President, Treasurer, Chief Financial Officer
and Director of Reckson Associates Realty Corp.,
the sole general partner of the Registrant

RECKSON OPERATING PARTNERSHIP, L.P.

EXHIBIT 32.1

CERTIFICATION OF SCOTT H. RECHLER, CHAIRMAN OF THE BOARD, CHIEF EXECUTIVE OFFICER AND DIRECTOR OF RECKSON ASSOCIATES REALTY CORP., THE SOLE GENERAL PARTNER OF THE REGISTRANT PURSUANT TO SECTION 1350 OF CHAPTER 63 OF TITLE 18 OF THE UNITED STATES CODE

I, Scott H. Rechler, Chairman of the Board, Chief Executive Office and Director of Reckson Associates Realty Corp., the sole general partner of Reckson Operating Partnership, L.P. (the "Company"), certify pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350, that:

1) The Quarterly Report on Form 10-Q of the Company for the quarterly period ended June 30, 2006 (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m or 78o(d)); and

2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: August 14, 2006

By /s/ Scott H. Rechler

Scott H. Rechler,
Chairman of the Board, Chief
Executive Officer and Director of Reckson
Associates Realty Corp., the sole general
partner of the Registrant

A signed original of this written statement required by Section 906 has been provided to Reckson Operating Partnership, L.P. and will be furnished to the Securities and Exchange Commission or its staff upon request.

RECKSON OPERATING PARTNERSHIP, L.P.
EXHIBIT 32.2
CERTIFICATION OF MICHAEL MATURO, PRESIDENT, TREASURER,
CHIEF FINANCIAL OFFICER AND DIRECTOR OF RECKSON ASSOCIATES REALTY CORP.,
THE SOLE GENERAL PARTNER OF THE REGISTRANT PURSUANT TO SECTION 1350
OF CHAPTER 63 OF TITLE 18 OF THE UNITED STATES CODE

I, Michael Maturo, President, Treasurer, Chief Financial Officer and Director of Reckson Associates Realty Corp., the sole general partner of Reckson Operating Partnership, L.P. (the "Company"), certify pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350, that:

1) The Quarterly Report on Form 10-Q of the Company for the quarterly period ended June 30, 2006 (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m or 78o(d)); and

2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: August 14, 2006

By /s/ Michael Maturo

Michael Maturo,
President, Treasurer, Chief Financial Officer and Director of Reckson Associates Realty Corp., the sole general partner of the Registrant

A signed original of this written statement required by Section 906 has been provided to Reckson Operating Partnership, L.P. and will be furnished to the Securities and Exchange Commission or its staff upon request.