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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 March 31, 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)*
225 Broadhollow Road, Melville, NY *(Address of principal executive office)*	**11747** *(Zip Code)*

(631) 694-6900
(Registrant's telephone number including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports) Yes ☒ 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 Filer ☒**

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

Yes ☐ No ☒.

RECKSON OPERATING PARTNERSHIP, L.P.
QUARTERLY REPORT
FOR THE THREE MONTHS ENDED MARCH 31, 2006

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PART I - FINANCIAL INFORMATION

ITEM 1 - FINANCIAL STATEMENTS

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

	March 31, 2006	December 31, 2005
	(unaudited)	
ASSETS		
Commercial real estate properties, at cost:		
Land	$ 428,354	$ 430,064
Buildings and improvements	2,885,208	2,823,020
Developments in progress:		
Land	126,016	123,761
Development costs	116,088	99,570
Furniture, fixtures and equipment	12,942	12,738
	3,568,608	3,489,153
Less accumulated depreciation	(559,727)	(532,152)
Investments in real estate, net of accumulated depreciation	3,008,881	2,957,001
Properties and related assets held for sale, net of accumulated depreciation	67,251	194,297
Investments in real estate joint ventures	46,724	61,526
Investments in mortgage notes and notes receivable	169,025	174,612
Cash and cash equivalents	42,635	17,468
Tenant receivables	16,281	20,196
Investments in affiliate loans and joint ventures	66,683	64,954
Deferred rents receivable	144,419	138,990
Prepaid expenses and other assets	179,824	109,004
Deferred leasing and loan costs, net of accumulated amortization	83,063	78,411
Total Assets	$ 3,824,786	$ 3,816,459
LIABILITIES		
Mortgage notes payable	$ 466,682	$ 541,382
Mortgage notes payable and other liabilities associated with properties held for sale	63,955	84,572
Unsecured credit facility	180,000	419,000
Senior unsecured notes	1,254,808	980,085
Accrued expenses and other liabilities	113,549	118,661
Deferred revenues and tenant security deposits	73,301	75,903
Dividends and distributions payable	36,476	36,398
Total Liabilities	2,188,771	2,256,001
Minority partners’ interests in consolidated partnerships and other interests	267,120	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, 83,196,326 and 82,995,931 units outstanding, respectively	1,333,222	1,306,236
Limited Partners’ Capital:		
Class A common units, 1,552,133 and 1,569,142 units issued and outstanding, respectively	24,770	24,555
Class C common units, 465,845 units issued and outstanding	7,434	7,290
Accumulated other comprehensive income	2,269	1,819
Total Partners’ Capital	1,368,895	1,341,100
TOTAL LIABILITIES AND PARTNERS’ CAPITAL	$ 3,824,786	$ 3,816,459

(see accompanying notes to financial statements)

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

	Three Months Ended March 31, 2006	Three Months Ended March 31, 2005
PROPERTY OPERATING REVENUES:		
Base rents	$ 116,085	$ 112,410
Tenant escalations and reimbursements	19,068	17,778
Total property operating revenues	135,153	130,188
OPERATING EXPENSES:		
Property operating expenses	60,235	52,740
Marketing, general and administrative	9,482	7,995
Depreciation and amortization	32,836	28,419
Total operating expenses	102,553	89,154
Operating income	32,600	41,034
NON-OPERATING INCOME AND EXPENSES:		
Gains on sales of real estate	35,393	—
Interest income on mortgage notes and notes receivable (including $1.1 million and $850,000, respectively from related parties)	5,499	2,447
Investment income and other	12,077	682
Interest:		
Expense	(27,989)	(23,566)
Amortization of deferred financing costs	(1,122)	(991)
Long-term incentive compensation expense	(3,623)	—
Total non-operating income and expenses	20,235	(21,428)
Income before minority interests, equity in earnings of real estate joint ventures and discontinued operations	52,835	19,606
Minority partners' interests in consolidated partnerships and other interests	(4,460)	(3,857)
Equity in earnings of real estate joint ventures	396	151
Income before discontinued operations	48,771	15,900
Discontinued operations:		
Income from discontinued operations	893	2,153
Gains on sales of real estate	9,518	—
Net income	$ 59,182	$ 18,053
Net income allocable to:		
Common unit holders	58,826	17,944
Class C common unit holders	356	109
Total	$ 59,182	$ 18,053
Net income per weighted average common units:		
Income from continuing operations	.16	.18
Gain on sales of real estate	.42	—
Discontinued operations	.12	.03
Basic net income per common unit	$ .70	$ .21
Class C common – income from continuing operations	.18	.20
Gain on sales of real estate	.45	—
Discontinued operations	.13	.03
Basic net income per Class C common unit	$ .76	$ .23

Weighted average common units outstanding:		
Common units	84,628,000	83,847,000
Class C common units	466,000	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)

	Three Months Ended March 31,	
	2006	**2005**
CASH FLOWS FROM OPERATING ACTIVITIES:		
NET INCOME	$ 59,182	$ 18,053
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization (including discontinued operations)	34,786	31,293
Minority partners' interests in consolidated partnerships and other interests	4,537	3,868
Gains on sales of real estate	(44,982)	—
Sale of option to acquire joint venture interest	(9,016)	—
Undistributed earnings from real estate joint ventures	(120)	(151)
Changes in operating assets and liabilities:		
Deferred rents receivable	(5,359)	(7,097)
Prepaid expenses and other assets	6,017	10,749
Tenant receivables	3,915	(895)
Accrued expenses and other liabilities	(11,840)	(7,199)
Tenant security deposits	(2,982)	1,565
Net cash provided by operating activities	34,138	50,186
CASH FLOWS FROM INVESTMENT ACTIVITIES:		
Purchases of commercial real estate properties	—	(73,838)
Additions to Note Receivable Investments	(14,687)	(28,390)
Repayments of Notes Receivable Investments	16,990	1,695
Additions to developments in progress	(8,090)	(10,809)
Additions to commercial real estate properties	(18,446)	(17,443)
Payment of deferred leasing costs	(5,669)	(4,373)
Distributions from unconsolidated real estate joint ventures	2,140	—
Additions to furniture, fixtures and equipment	(204)	(421)
Proceeds from sale of option to acquire joint venture interest	9,016	—
Proceeds from sales of real estate	88,038	—
Net cash provided by (used in) investing activities	69,088	(133,579)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Principal payments on secured borrowings	(74,800)	(2,796)
Proceeds from issuance of senior unsecured notes, net of issuance costs	272,819	—
Payment of loan and equity issuance costs	(72)	(95)
Proceeds from unsecured credit facility	15,000	132,000
Principal payments on unsecured credit facility	(254,000)	(10,000)
Proceeds from unsecured term loan	250,000	—
Principal payments on unsecured term loan	(250,000)	—
Contributions	2,098	2,570
Distributions to minority partners in consolidated partnerships	(2,639)	(1,313)
Distributions	(36,465)	(36,573)
Net cash (used in) provided by financing activities	(78,059)	83,793
Net increase in cash and cash equivalents	25,167	400
Cash and cash equivalents at beginning of period	17,468	25,137
Cash and cash equivalents at end of period	$ 42,635	$ 25,537

(see accompanying notes to financial statements)

RECKSON OPERATING PARTNERSHIP, L.P.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 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.

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 and thereby increasing its general partnership interest. The Company's ownership percentage in the Operating Partnership was approximately 96.9% and 95.9% at March 31, 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 March 31, 2006 and for the three month periods ended March 31, 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 March 31, 2006 and December 31, 2005 and the consolidated results of their operations and their cash flows for the three months ended March 31, 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, development 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 March 31, 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 month periods ended March 31, 2006 and 2005 amounted to approximately $23.4 million and $20.8 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 are 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 $8.7 million and $5.5 million at March 31, 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 partner's 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 $270,000 and $392,000 of bad debt expense and related costs related to tenant receivables during the three month periods ended March 31, 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.

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.

Earnings Per Share

We follow the guidance provided for under FASB Statement No. 128, "Earnings per Share" ("Statement No. 128") which replaced the calculation of primary and fully diluted earnings per share with basic and diluted earnings per share. Unlike primary earnings per share, basic earnings per share excludes any dilutive effects of options, warrants and convertible securities. Diluted earnings per share are very similar to the previously reported fully diluted earnings per share. The conversion of OP Units into common stock would not have a significant effect on per share amounts as the OP Units share proportionately with the common stock in the results of the Operating Partnership's operations.

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 partner's 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

On December 16, 2004, the FASB issued Statement No. 123 (revised 2004), “Share-Based Payment” (“Statement No. 123R”), which is a revision of FASB Statement No. 123, “Accounting for Stock-Based Compensation” (“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 by the Company, 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.

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 March 31, 2006, we had 12 fixed rate mortgage notes payable with an aggregate outstanding principal amount of approximately $530.2 million. These mortgage notes are secured by properties with an aggregate cost basis at March 31, 2006 of approximately $1.1 billion and which are pledged as collateral against the mortgage notes payable. In addition, approximately $41.3 million of the $530.2 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 rates on the outstanding mortgage notes payable at March 31, 2006 was approximately 7.1%.

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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 March 31, 2006, by scheduled maturity date (dollars in thousands):

Property		Principal Amount Outstanding	Interest Rate	Maturity Date	Amortization Term (Years)
Landmark Square, Stamford, CT	(a)	$ 41,307	8.02%	October, 2006	25
100 Summit Lake Drive, Valhalla, NY		14,141	8.50%	April, 2007	15
333 Earle Ovington Blvd., Mitchel Field, NY	(b)	50,313	7.72%	August, 2007	25
810 Seventh Avenue, NY, NY	(c)	77,383	7.73%	August, 2009	25
275 Broadhollow Road, Melville, NY	(c)	15,060	7.73%	August, 2009	25
90 Merrick Avenue, East Meadow, NY	(c)	18,473	7.73%	August, 2009	25
580 White Plains Road, Tarrytown, NY	(d)	11,941	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)	237,480	6.87%	July, 2011	30
711 Westchester Avenue, White Plains, NY		12,525	5.36%	January, 2015	30 (g)
Total / Weighted average		$ 530,155	7.09%		

(a) Encompasses six Class A office properties.
(b) At March 31, 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 $30.2 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 $121.1 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 March 31, 2006, are as follows (in thousands):

	Principal Amortization	Due at Maturity	Total
2006	$ 7,866	$ 40,402	$ 48,268
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
	$ 38,317	$ 491,838	$ 530,155

At March 31, 2006, our unconsolidated joint ventures had total indebtedness of approximately $841.9 million, which was comprised of $33.0 million of floating rate unsecured debt and approximately $808.9 million of fixed rate mortgage indebtedness with a weighted average interest rate of approximately 5.4% and a weighted average maturity of approximately 9.4 years. Our aggregate pro-rata share of the unconsolidated joint venture debt was approximately $181.5 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)

At March 31, 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.

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 March 31, 2006, approximately $956,000 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. In addition, borrowings under the Credit Facility accrue interest at a rate of LIBOR plus 80 basis points and 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 March 31, 2006, the outstanding borrowings under the Credit Facility aggregated $180.0 million and carried a weighted average interest rate of 5.46% 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 March 31, 2006, we had availability under the Credit Facility to borrow approximately an additional $319.9 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 $42,600 for the three months ended March 31, 2006.

On May 26, 2005, we entered into a contract to sell approximately 60 acres of land located in Chatham Township, NJ for up to approximately $30.0 million, which will be based upon a final approved site plan. The sale is contingent upon due diligence, environmental assessment, final re-zoning and other customary approvals. There can be no assurances that any of the aforementioned contingences will be achieved and the sale ultimately completed.

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 $231,000 for the three months ended March 31, 2006.

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, Jericho, 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. Such amount is included in prepaid expenses and other assets on our consolidated balance sheet. The balance of the cash proceeds was used to fund our development activities and for general corporate purposes There can be no assurances that we will be able to identify and acquire qualified replacement properties within the required time frames under a Section 1031 Exchange, in which case we would not receive the tax benefit of such an exchange.

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. 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 and affiliates of ours are entitled to transaction fees and ongoing fees for providing services to the Australian JV. During the three months ended March 31, 2006, we earned and received approximately $819,000 in transaction related fees and approximately $894,000 of ongoing fees from the Australian JV. 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. As of March 31, 2006, the Australian JV 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. 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. Such amount is included in prepaid expenses and other assets on our consolidated balance sheet. There can be no assurances that we will be able to identify and acquire qualified replacement properties within the required time frames under a Section 1031 Exchange, in which case we would not receive the tax benefit of such an exchange.

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. At March 31, 2006, the Omni Property was approximately 96% leased.

As of March 31, 2006, we owned and operated 94 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 which we hold for current and future development (the "Development Parcels"). We recently completed the ground-up development on one of the Development Parcels of a 305,000 square foot Class A office building which commenced in July 2004 and is located within our existing three building executive office park in Melville, NY with a total investment of approximately $64.0 million. 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 March 31, 2006 our inventory of Development Parcels aggregated approximately 305 acres of land in 9 separate parcels in which we had invested approximately $121.9 million. In addition, as previously discussed, in May 2005, we entered into a contract to sell approximately 60 acres of vacant land in Chatham Township, NJ, subject to a change in zoning and other conditions. There can be no assurances that such conditions will be met or that the transaction will be consummated.

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. We are currently evaluating alternative land uses for certain of the remaining Development Parcels to realize their highest economic value. These alternatives may include rezoning certain Development Parcels from commercial to residential for potential disposition.

Discontinued Operations

At March 31, 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 March 31, 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.

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.

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

	March 31, 2006		December 31, 2005	
	Assets	**Liabilities**	**Assets**	**Liabilities**
Properties held for sale at March 31, 2006:				
The Australian JV Tranche III Properties	$ 66,122	$ 63,955	$ 66,558	$ 64,015
Land parcel located in Long Island, New York	1,129	—	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 (a)	—	—	31,977	190
One Orlando Centre located in Orlando, Florida	—	—	59,457	56
Totals	$ 67,251	$ 63,955	$ 194,297	$ 84,572

The following table sets forth the income from discontinued operations and the related net gains on sales of real estate for those properties sold during the three month periods ended March 31, 2006 and 2005 (in thousands and net of minority and limited partners interests):

	Three months ended March 31,	
	2006	**2005**
Income (loss) from discontinued operations:		
310 / 333 East Shore Road, Great Neck, New York	$ —	$ 100
48 Harbor Park Drive, Port Washington, New York	—	65
100 Wall Street, New York, New York	—	1,627
One Orlando Centre located in Orlando, Florida	415	361
One operating property located in Westchester County, New York (a)	478	—
Total income from discontinued operations	893	2,153
Gains on sales of real estate:		
One Orlando Centre located in Orlando, Florida	9,518	—
One operating property located in Westchester County, New York (a)	—(b)	—
Total gains on sales of real estate – discontinued operations	9,518	—
Total discontinued operations	$ 10,411	$ 2,153

(a) Property acquired December 2005.

(b) Property's cost basis was equivalent to the sales price resulting in no gain or loss.

Note Receivable Investments

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.

On March 31, 2006, as discussed above, we were repaid approximately $22.1 million, including accrued interest, under a 12.0% per annum, $17.0 million note receivable investment which was secured by a minority partnership interest in the Omni Property.

At March 31, 2006, we had invested approximately $93.4 million in mezzanine loans and approximately $55.3 million in a participating loan investment. In general these investments are secured by a pledge of either a direct or indirect ownership interest in the underlying real estate or leasehold, other guaranties, pledges and assurances.

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The following table sets forth the terms of the mezzanine loans at March 31, 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.

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

Our $55.3 million participating loan investment was funded in May 2005 and 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.

As of March 31, 2006, we held one other note receivable, which aggregated $1.0 million and carried an interest rate of 10.50% per annum (the "Other Note") and collectively with the loans advanced during March 2006, our mezzanine loans and preferred loan investment (the "Note Receivable Investments"). The Other Note matures on January 31, 2010 and is secured in part by a minority partner's preferred unit interest in the Operating Partnership.

As of March 31, 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.

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 March 31, 2006, the Operating Partnership had issued and outstanding 1,552,133 Class A OP Units and 465,845 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.

The limited partners' interest in the Operating Partnership ("Limited Partner Capital"), which is reflected on the accompanying consolidated statements of partners' capital, is reported at an amount equal to the limited partners' ownership percentage of the net equity of the Operating Partnership at the end of reporting period. The Limited Partner Capital is adjusted at the end of the period to reflect the ownership percentages at that time.

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 value exceeding 10% of the market price of the Company's shares; or (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.

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, prior to June 15, 2010.

During the three month period ended March 31, 2006, 85,083 shares of the Company's common stock were issued in connection with the exercise of outstanding options to purchase stock under its stock option plans resulting in proceeds to us of approximately $2.1 million. In addition, during February 2006, a limited partner in the Operating Partnership exchanged 17,009 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 2004, the Board of Directors re-set the Company's common stock repurchase program back to 5.0 million shares. No purchases have been made since March 2003.

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 March 31, 2006, there remains 149,714 shares of common stock subject to the original stock loans which are anticipated to vest between 2006 and 2011. Approximately $802,000 and $528,000 of compensation expense (inclusive of cash payments in respect of taxes payable by the borrower resulting from such forgiveness) was recorded for each of the three month periods ended March 31, 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 $3.2 million and $3.8 million at March 31, 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 March 31, 2006 and December 31, 2005 amounted to approximately $1.9 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 March 31, 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 $104,000 of compensation expense was recorded for each of the three month periods ended March 31, 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. 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 "Incentive Unit Grants"). The terms of the Incentive Unit Grants are 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.

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 of compensation expense for each of the three month periods ended March 31, 2006 and 2005. In addition, with respect to the LTIP Units and the Incentive Unit Grants, the Company recorded compensation expense of approximately $822,000 and $465,000, respectively, for the three month periods ended March 31, 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 $35.0 million, assuming relative peer group performance measures are met and a cap of 15% cumulative and compounded return on common equity. As of March 31, 2006, we have accrued approximately $27.2 million of compensation expense with respect to the Special Outperformance Pool of which $3.6 million was accrued during the three months ended March 31, 2006. This amount is calculated on the closing stock price of the Company's common stock on March 31, 2006 and is based on management's determination of the probability of requisite performance measures being met. The accrual represents approximately 76% of the total estimated Special Outperformance Pool reflecting the service period through March 31, 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.

As of March 31, 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 $24.72 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.

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

	Three Months Ended March 31,	
	2006	2005
Cash paid during the period for interest	$ 38,527	$ 33,976
Interest capitalized during the period	$ 3,110	$ 2,157

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					
	March 31, 2006			March 31, 2005		
	Core Portfolio	Other	Consolidated Totals	Core Portfolio	Other	Consolidated Totals
Property Operating Revenues:						
Base rents, tenant escalations and reimbursements	$ 135,153	$ —	**$ 135,153**	$ 130,188	$ —	**$ 130,188**
Expenses:						
Property operating expenses	60,235	—	**60,235**	52,740	—	**52,740**
Marketing, general and administrative	5,003	4,479	**9,482**	4,163	3,832	**7,995**
Depreciation and amortization	32,693	143	**32,836**	28,055	364	**28,419**
Total operating expenses	97,931	4,622	**102,553**	84,958	4,196	**89,154**
Operating income (loss)	37,222	(4,622)	**32,600**	45,230	(4,196)	**41,034**
Non-Operating Income and Expenses						
Gains on sales of real estate	35,393	—	**35,393**	—	—	**—**
Interest income, investment income and other	973	16,603	**17,576**	828	2,301	**3,129**
Interest:						
Expense incurred	(7,657)	(20,332)	**(27,989)**	(8,943)	(14,623)	**(23,566)**
Amortization of deferred financing costs	(452)	(670)	**(1,122)**	(262)	(729)	**(991)**
Long-term incentive compensation expense	—	(3,623)	**(3,623)**	—	—	**—**
Total non-operating income and expenses	28,257	(8,022)	**20,235**	(8,377)	(13,051)	**(21,428)**
Income (loss) before minority interests, equity in earnings of real estate joint ventures and discontinued operations	$ 65,479	$ (12,644)	**$ 52,835**	$ 36,853	$ (17,247)	**$ 19,606**
Total Assets	$ 3,391,785	$ 433,001	**$ 3,824,786**	$ 3,008,570	$ 270,986	**$ 3,279,556**

10. Non-Cash Investing and Financing Activities

During February 2006, a limited partner in the Operating Partnership exchanged 17,009 OP Units for an equal number of shares of the Company’s common stock which were valued at $39.10 per OP Unit for total non cash consideration of approximately $665,000.

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 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 the lease on November 30, 2006 without penalty. 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.

During the three month periods ended March 31, 2006 and 2005, RCD billed approximately $1,000 and $9,000, respectively, of market rate services and RMG billed approximately $73,000 and $71,000, 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.

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 March 31, 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 March 31, 2006, the closing price of a share of Empire's common stock was $5.16 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.

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12. COMMITMENTS AND CONTINGENCIES

The Company has extended the terms of its amended and restated employment and noncompetition agreements with three executive officers, which were scheduled to expire on August 15, 2005, in all respects through June 30, 2006. The Company has also entered into an employment agreement with one additional officer prior to his appointment as an executive officer. This agreement expires in December 2006.

We had undrawn letters of credit outstanding against our Credit Facility of approximately $100,000 at March 31, 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 March 31, 2006, the Australian JV met the $100.0 million net worth threshold and there remain approximately $18 million of aggregate guarantees outstanding.

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, 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; 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 $270,000 and $392,000 of bad debt expense and related costs related to tenant receivables during the three month periods ended March 31, 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 are 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.

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 partner’s 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

On December 16, 2004, the FASB issued Statement No. 123 (revised 2004), “Share-Based Payment” (“Statement No. 123R”), which is a revision of FASB Statement No. 123, “Accounting for Stock-Based Compensation” (“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 by the Company, 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.

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.

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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”). 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 the lease on November 30, 2006 without penalty. 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.

During the three month periods ended March 31, 2006 and 2005, RCD billed approximately $1,000 and $9,000, respectively, of market rate services and RMG billed approximately $73,000 and $71,000, 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.

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 $42,600 for the three months ended March 31, 2006.

On May 26, 2005, we entered into a contract to sell approximately 60 acres of land located in Chatham Township, NJ for up to approximately $30.0 million, which will be based upon a final approved site plan. The sale is contingent upon due diligence, environmental assessment, final re-zoning and other customary approvals. There can be no assurances that any of the aforementioned contingences will be achieved and the sale ultimately completed.

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 $231,000 for the three months ended March 31, 2006.

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, Jericho, 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. Such amount is included in prepaid expenses and other assets on our consolidated balance sheet. The balance of the cash proceeds was used to fund our development activities and for general corporate purposes There can be no assurances that we will be able to identify and acquire qualified replacement properties within the required time frames under a Section 1031 Exchange, in which case we would not receive the tax benefit of such an exchange.

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. 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 and affiliates of ours are entitled to transaction fees and ongoing fees for providing services to the Australian JV. During the three months ended March 31, 2006, we earned and received approximately $819,000 in transaction related fees and approximately $894,000 of ongoing fees from the Australian JV. 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. As of March 31, 2006, the Australian JV 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. 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. Such amount is included in prepaid expenses and other assets on our consolidated balance sheet. There can be no assurances that we will be able to identify and acquire qualified replacement properties within the required time frames under a Section 1031 Exchange, in which case we would not receive the tax benefit of such an exchange.

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. At March 31, 2006, the Omni Property was approximately 96% leased.

As of March 31, 2006, we owned and operated 94 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 which we hold for current and future development (the "Development Parcels"). We recently completed the ground-up development on one of the Development Parcels of a 305,000 square foot Class A office building which commenced in July 2004 and is located within our existing three building executive office park in Melville, NY with a total investment of approximately $64.0 million. 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 March 31, 2006 our inventory of Development Parcels aggregated approximately 305 acres of land in 9 separate parcels in which we had invested approximately $121.9 million. In addition, as previously discussed, in May 2005, we entered into a contract to sell approximately 60 acres of vacant land in Chatham Township, NJ, subject to a change in zoning and other conditions. There can be no assurances that such conditions will be met or that the transaction will be consummated.

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. We are currently evaluating alternative land uses for certain of the remaining Development Parcels to realize their highest economic value. These alternatives may include rezoning certain Development Parcels from commercial to residential for potential disposition.

Note Receivable Investments

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.

On March 31, 2006, as discussed above, we were repaid approximately $22.1 million, including accrued interest, under a 12.0% per annum, $17.0 million note receivable investment which was secured by a minority partnership interest in the Omni Property.

At March 31, 2006, we had invested approximately $93.4 million in mezzanine loans and approximately $55.3 million in a participating loan investment. In general these investments are secured by a pledge of either a direct or indirect ownership interest in the underlying real estate or leasehold, other guaranties, pledges and assurances.

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The following table sets forth the terms of the mezzanine loans at March 31, 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			

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

(e) 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.

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

Our $55.3 million participating loan investment was funded in May 2005 and 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.

As of March 31, 2006, we held one other note receivable, which aggregated $1.0 million and carried an interest rate of 10.50% per annum (the “Other Note”) and collectively with the loans advanced during March 2006, our mezzanine loans and preferred loan investment (the “Note Receivable Investments”). The Other Note matures on January 31, 2010 and is secured in part by a minority partner’s preferred unit interest in the Operating Partnership.

As of March 31, 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.

Our market capitalization at March 31, 2006 was approximately $5.9 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 $45.82 per share / unit (based on the closing price of the Company’s common stock on March 31, 2006), (ii) the liquidation preference value of the Operating Partnership’s preferred units of $1,000 per unit and (iii) approximately $2.0 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 March 31, 2006. As a result, our total debt to total market capitalization ratio at March 31, 2006 equaled approximately 34.0%.

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Results of Operations

The following table is a comparison of the results of operations for the three month period ended March 31, 2006 to the three month period ended March 31, 2005 (dollars in thousands):

	Three months ended March 31,			
			Change	
	2006	2005	Dollars	Percent
Property Operating Revenues:				
Base rents	$ 116,085	$ 112,410	$ 3,675	3.3%
Tenant escalations and reimbursements	19,068	17,778	1,290	7.3%
Total property operating revenues	**$ 135,153**	**$ 130,188**	**$ 4,965**	**3.8%**
Property Operating Expenses:				
Operating expenses	$ 35,984	$ 31,406	$ 4,578	14.6%
Real estate taxes	24,251	21,334	2,917	13.7%
Total property operating expenses	**$ 60,235**	**$ 52,740**	**$ 7,495**	**14.2%**
Interest and Investment Income and other	**$ 17,576**	**$ 3,129**	**$ 14,447**	**> 100%**
Other Expenses:				
Interest expense incurred	$ 27,989	$ 23,566	$ 4,423	18.8%
Amortization of deferred financing costs	1,122	991	131	13.2%
Marketing, general and administrative	9,482	7,995	1,487	18.6%
Total other expenses	**$ 38,593**	**$ 32,552**	**$ 6,041**	**18.6%**

Our property operating revenues, which include base rents and tenant escalations and reimbursements (“Property Operating Revenues”), increased by $5.0 million or 3.8% for the three months ended March 31, 2006 as compared to the 2005 period. The increase is a result of a $20.0 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, $3.2 million attributable to built-in rent increases and straight line rental revenue increases in our same-store properties. These aggregate increases of approximately $23.2 million were offset by an $18.2 million decrease in Property Operating Revenues from the sale of the Tranche I Properties in September 2005 and the Tranche II Properties on January 6, 2006.

Our property operating expenses, real estate taxes and ground rents (“Property Expenses”) increased by $7.5 million or 14.2% for the three months ended March 31, 2006 as compared to the 2005 period. The increase is a result of a $10.3 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, $3.0 million increase in operating expenses and real estate taxes in our same-store properties. These aggregate increases of approximately $13.3 million were offset by a $5.8 million decrease in Property Expenses from the sale of the Tranche I Properties in September 2005 and the Tranche II Properties on January 6, 2006. 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. In addition, as indicated below the overall increases in Property Expenses is not entirely billable to our tenants.

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 March 31, 2006 and 2005 were 55.4% and 59.5%, respectively. 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. We anticipate repositioning and in certain instances adding incremental capital to these properties and increasing their occupancies to levels comparable to the balance of our core portfolio. 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. We anticipate that our operating margins will increase as we lease the vacant space in the above mentioned properties and as we increase occupancy in the remaining portion of the core portfolio.

Interest and Investment income and other increased by $14.4 million for the three months ended March 31, 2006 as compared to the 2005 period. This increase is primarily a result of the sale of our option to acquire the minority partner’s 40% partnership interest in the Omni Property for net consideration of approximately $9.0 million, an increase in interest income earned on our Note Receivable Investments of $3.1 million due to a weighted average increase in our Note Receivable Investments of approximately $80.3 million from the 2005 period, $1.7 million in transaction and management fees earned during the 2006 period related to the Australian JV, and an increase of $593,000 related to tenant-related services, third-party fees and other interest income.

In connection with the Tranche II closing of the Australian JV during January 2006 we recorded gains on sales of real estate in the amount of $35.4 million. These gains have been reported as a component of income from continuing operations as a result of the Company retaining a 25% continuing interest in the Australian JV. No such gains on sales of real estate were recorded in the 2005 period.

Interest expense incurred increased by $4.4 million or 18.8% for the three months ended March 31, 2006 as compared to the 2005 period. Approximately $2.9 million of the increase is attributable to the Operating Partnership's issuance of $287.5 million of senior unsecured debentures in June 2005. Interest expense also increased by $2.9 million incurred under our unsecured term loan, which was funded in January 2006 and used to purchase the Eastridge portfolio and was repaid later in the first quarter of 2006, $670,000 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. These aggregate increases of $6.6 million were off-set by decreases in interest expense of $112,000 incurred under our same-store mortgage portfolio, a decrease in interest expense of $721,000 incurred during the 2005 period from two mortgage notes which were subsequently satisfied, $391,000 of interest expense related to two properties which were contributed to the Australian JV on January 6, 2006, subject to their debt and an increase of approximately $1.0 million in capitalized interest expense due to an increase in development activities.

Marketing, general and administrative expenses increased by $1.5 million for the three months ended March 31, 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 6.2% 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.

During the 2006 quarterly period, we incurred a $3.6 million charge related to our long-term incentive compensation plan with no comparable charge during the 2005 period. For a further discussion of this charge, see "Other Matters" of this Item 2.

Discontinued operations, net of minority interests increased by approximately $8.1 million for the three months ended March 31, 2006 as compared to the 2005 period. This increase is attributable to an increase in the gains on sales related to those properties sold, including their results of operations during the 2006 period as compared to 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. 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. There can be no assurance that we will maintain the current quarterly distribution level on our common equity.

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 the three months ended March 31, 2006, the Operating Partnership issued $275 million of senior unsecured debt securities. The Operating Partnership also issued $287.5 million of exchangeable senior debentures in June 2005. 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. 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 to form a joint venture with us, the Australian JV, and 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. 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.

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 expires on June 2, 2006, provides for full replacement cost of our properties, including for acts of terrorism up to $540.0 million on a per occurrence basis. We are currently in the process of renewing our expiring property insurance coverage with similar limits and coverages as the expiring policies, including for acts of terrorism. There can be no assurances that we will be able to replace these coverages at commercially reasonably rates or at all.

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. In addition, borrowings under the Credit Facility accrue interest at a rate of LIBOR plus 80 basis points and 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 March 31, 2006, the outstanding borrowings under the Credit Facility aggregated $180.0 million and carried a weighted average interest rate of 5.46% 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 March 31, 2006, we had availability under the Credit Facility to borrow approximately an additional $319.9 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.

We continue to seek opportunities to acquire real estate assets in our markets. We have historically sought to acquire properties where we could use our real estate expertise to create additional value subsequent to acquisition. 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.

We also seek to make structured finance investments at risk adjusted returns into mixed use and residential projects located within our markets. Although we believe we have an in-depth understanding and expertise of our markets relating to the zoning, development and underwriting of various product types, such investments expose us to risks concerning property types and development which may be outside our core portfolio.

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 March 31, 2006, the Operating Partnership had issued and outstanding 1,552,133 Class A OP Units and 465,845 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 March 31, 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 $24.72 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 value exceeding 10% of the market price of the Company's shares; or (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.

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, prior to June 15, 2010.

During the three month period ended March 31, 2006, 85,083 shares of the Company's common stock were issued in connection with the exercise of outstanding options to purchase stock under its stock option plans resulting in proceeds to us of approximately $2.1 million. In addition, during February 2006, a limited partner in the Operating Partnership exchanged 17,009 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 2004, the Board of Directors re-set the Company's common stock repurchase program back to 5.0 million shares. No purchases have been made since March 2003.

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 March 31, 2006 totaled approximately $2.0 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 $188.3 million of floating rate unsecured debt, approximately $1.25 billion of senior unsecured notes and approximately $566.9 million of fixed rate mortgage indebtedness with a weighted average interest rate of approximately 6.0% and a weighted average maturity of approximately 5.1 years. Based on our total market capitalization of approximately $5.9 billion at March 31, 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 $2.0 billion of debt), our debt represented approximately 34.0% of our total market capitalization.

Contractual Obligations and Commercial Commitments

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.

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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 March 31, 2006 (in thousands):

	Maturity Date						
	2006	2007	2008	2009	2010	*Thereafter*	Total
Mortgage notes payable (1)	$ 7,866	$ 8,406	$ 7,370	$ 6,774	$ 4,665	$ 3,236	$ 38,317
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	—	—	180,000	—	—	—	180,000
Land lease obligations (3)	9,340	12,471	12,498	12,644	12,566	342,849	402,368
Air rights lease obligations	271	362	362	362	362	3,257	4,976
Capital leases	503	671	671	671	671	3,188	6,375
Operating leases	989	194	196	14	—	—	1,393
	$ 59,371	$ 282,746	$ 201,097	$ 320,719	$ 367,869	$ 1,155,965	$ 2,387,767

(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 March 31, 2006, approximately $41.3 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 March 31, 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	$ 25,236	$ 28,422	$ 24,782	$ 21,633	$ 16,105	$ 10,041	$ 126,219
Senior unsecured notes	36,794	57,113	48,538	36,267	33,038	118,892	330,642
Exchangeable debentures[a]	11,500	11,500	11,500	11,500	11,500	166,271	223,771
	$ 73,530	$ 97,035	$ 84,820	$ 69,400	$ 60,643	$ 295,204	$ 680,632

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

Interest expense from those properties classified as held for sale on our consolidated balance sheet at March 31, 2006 over the next five years and thereafter aggregated approximately $16.2 million.

Interest expense incurred under our variable rate Credit Facility and Term Loan amounted to approximately $5.9 million for the three months ended March 31, 2006 and was based on a combined weighted average balance and interest rate of $418.9 million and 5.62%, 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 March 31, 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.

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 March 31, 2006, there remains 149,714 shares of common stock subject to the original stock loans which are anticipated to vest between 2006 and 2011. Approximately $802,000 and $528,000 of compensation expense (inclusive of cash payments in respect of taxes payable by the borrower resulting from such forgiveness) was recorded for each of the three month periods ended March 31, 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 $3.2 million and $3.8 million at March 31, 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 March 31, 2006 and December 31, 2005 amounted to approximately $1.9 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 March 31, 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 $104,000 of compensation expense was recorded for each of the three month periods ended March 31, 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. 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 “Incentive Unit Grants”). The terms of the Incentive Unit Grants are 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.

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 of compensation expense for each of the three month periods ended March 31, 2006 and 2005. In addition, with respect to the LTIP Units and the Incentive Unit Grants, the Company recorded compensation expense of approximately $822,000 and $465,000, respectively, for the three month periods ended March 31, 2006 and

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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 $35.0 million, assuming relative peer group performance measures are met and a cap of 15% cumulative and compounded return on common equity. As of March 31, 2006, we have accrued approximately $27.2 million of compensation expense with respect to the Special Outperformance Pool of which $3.6 million was accrued during the three months ended March 31, 2006. This amount is calculated on the closing stock price of the Company’s common stock on March 31, 2006 and is based on management’s determination of the probability of requisite performance measures being met. The accrual represents approximately 76% of the total estimated Special Outperformance Pool reflecting the service period through March 31, 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.

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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 March 31, 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 March 31, 2006, the closing price of a share of Empire's common stock was $5.16 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 $75.3 million with a weighted average interest rate of 5.3% per annum and a weighted average term of 5.5 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 9.3 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.

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

	Three months ended March 31, 2006	Three months ended March 31, 2005
Net income	$ 59,182	$ 18,053
Adjustments for basic Funds From Operations		
Add:		
Real estate depreciation and amortization	32,151	27,313
Minority partners' interests in consolidated partnerships	7,234	6,712
Deduct:		
Gains on sales of depreciable real estate	44,669	—
Amounts distributable to minority partners in consolidated partnerships	6,345	5,724
Basic and Diluted Funds From Operations	$ 47,553	$ 46,354
Weighted Average units outstanding	85,094	84,313
Diluted Weighted Average units outstanding	85,651	84,775

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.

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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 March 31, 2006 (dollars in thousands):

	For the Year Ending December 31,							
	2006	2007	2008	2009	2010	Thereafter	Total (1)	FMV
Long term debt:								
Fixed rate	$ 48,268	$ 269,048	$ 7,370	$ 307,028	$ 354,270	$ 806,671	$1,792,655	$1,874,499
Weighted average interest rate	7.95%	7.13%	7.22%	7.71%	4.33%	4.00%	5.29%	
Variable rate	$ —	$ —	$ 180,000	$ —	$ —	$ —	$ 180,000	$ 180,000
Weighted average interest rate	—	—	5.46%	—	—	—	5.46%	

(1) Includes aggregate unamortized issuance discounts of approximately $7.7 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 an approximate $1.8 million annual increase in interest expense based on $180.0 million of variable rate debt outstanding at March 31, 2006.

The following table sets forth our Note Receivable Investments by scheduled maturity date, weighted average interest rates and estimated FMV at March 31, 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	$ 8,031	$ 97,760(2)	$ 184,979	$ 184,979(2)
Weighted average interest rate	—	16.25%	15.29%	17.50%	9.00%	9.02%	12.21%	
Variable rate	$ —	$ —	$ —	$ 500	$ —	$ —	$ 500	$ 500
Weighted average interest rate	—	—	—	4.35%	—%	—	4.35%	

(1) Excludes interest receivables and unamortized acquisition costs aggregating approximately $4.7 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 March 31, 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 March 31, 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.

SELECTED PORTFOLIO INFORMATION

The following table sets forth our schedule of top 25 tenants based on base rental revenue as of April 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	2,015,381	4.2%
*Debevoise & Plimpton	15.8	586,528	3.6%
D.E. Shaw	7.8	192,837	2.1%
Amerada Hess Corporation	15.8	180,822	2.0%
King & Spalding	7.9	148,675	1.7%
*Verizon Communications Inc.	1.3	271,384	1.7%
*Schulte Roth & Zabel	14.7	279,746	1.6%
*American Express	8.0	127,305	1.6%
*Bank of America / Fleet Bank	4.7	199,089	1.4%
County of Nassau	15.6	219,066	1.4%
*Fuji Photo Film USA	6.4	194,984	1.2%
*MCI	0.9	240,430	1.1%
Westpoint Stevens	0.8	86,800	1.0%
Arrow Electronics Inc.	7.8	163,762	1.0%
Dun & Bradstreet Corp.	6.5	123,000	1.0%
Daiichi Pharmaceuticals	11.5	141,000	1.0%
*Schering-Plough Corporation	0.3	152,970	0.9%
Westdeutsche Landesbank	10.1	53,000	0.9%
*JP Morgan Chase	5.0	100,636	0.9%
Washington Mutual	0.9	127,465	0.8%
North Fork Bank	12.8	126,770	0.8%
Practicing Law Institute	7.9	77,500	0.8%
*HQ Global	3.2	157,892	0.8%
Vytra Healthcare	1.8	105,613	0.8%
*Banque Nationale De Paris	10.3	145,834	0.8%

(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 three month period ended March 31, 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	$ 8,402,935	$ 6,878,000	$ 2,033,064
Per Square Foot	$ 0.53	$ 0.67	$ 0.69	$ 0.78(2)(3)	$ 0.67	$ 0.18(5)
NYC Office Properties						
Total	$ 1,939,111	$ 1,922,209	$ 2,515,730	$ 2,017,360	$ 2,098,603	$ 424,013
Per Square Foot	$ 0.56	$ 0.55	$ 0.56	$ 0.42(4)	$ 0.52	$ 0.10(5)
Flex / Industrial Properties						
Total	$ 1,881,627	$ 1,218,401(1)	$ 207,028	$ 38,723(2)	$ 836,445	$ 0.00
Per Square Foot	$ 0.28	$ 0.23	$ 0.23	$ 0.05	$ 0.20	$ 0.00

(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. 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.

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 three month period ended March 31, 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	$ 720,606	$ 518,365	$ 202,241
Per Square Foot Improved	$ 7.81	$ 7.05	$ 8.78	$ 11.25	$ 8.72	$ 18.12	$ 24.36	$ 10.94
Leasing Commissions	$ 1,026,970	$ 2,623,245	$ 2,345,325	$ 1,546,354	$ 1.885,474	$ 330,487	$ 192,871	$ 137,616
Per Square Foot Leased	$ 4.18	$ 4.90	$ 4.24	$ 3.65	$ 4.24	$ 8.31	$ 9.06	$ 7.45
Total Per Square Foot	$ 11.99	$ 11.95	$ 13.02	$ 14.90	$ 12.96	$ 26.43	$ 33.42	$ 18.39
Westchester Office Properties								
Tenant Improvements	$ 6,391,589[1]	$ 3,732,370	$ 6,323,134	$ 5,296,662	$ 5,435,939	$ 1,107,877	$ 1,019,329	$ 88,548
Per Square Foot Improved	$ 15.05	$ 15.98	$ 11.95	$ 12.37	$ 13.84	$ 11.15	$ 34.26	$ 1.27
Leasing Commissions	$ 1,975,850[1]	$ 917,487	$ 2,671,548	$ 1,923,552	$ 1,872,109	$ 281,345	$ 259,494	$ 21,851
Per Square Foot Leased	$ 4.65	$ 3.93	$ 5.05	$ 4.49	$ 4.53	$ 2.83	$ 8.72	$ 0.32
Total Per Square Foot	$ 19.70	$ 19.91	$ 17.00	$ 16.86	$ 18.37	$ 13.98	$ 42.98	$ 1.59
Connecticut Office Properties								
Tenant Improvements	$ 491,435	$ 588,087	$ 3,051,833	$ 3,895,369	$ 2,006,681	$ 432,381	$ 404,277	$ 28,104
Per Square Foot Improved	$ 3.81	$ 8.44	$ 12.71	$ 11.86	$ 9.20	$ 16.91	$ 30.60	$ 2.27
Leasing Commissions	$ 307,023	$ 511,360	$ 1,493,664	$ 1,819,504	$ 1,032,888	$ 137,882	$ 137,882	$ 0.00
Per Square Foot Leased	$ 2.38	$ 7.34	$ 6.22	$ 5.54	$ 5.37	$ 5.39	$ 10.44	$ 0.00
Total Per Square Foot	$ 6.19	$ 15.78	$ 18.93	$ 17.40	$ 14.57	$ 22.30	$ 41.04	$ 2.27
New Jersey Office Properties								
Tenant Improvements	$ 2,842,521	$ 4,327,295	$ 1,379,362	$ 2,421,779	$ 2,742,739	$ 1,162,846	$ 669,884	$ 492,962
Per Square Foot Improved	$ 10.76	$ 11.57	$ 7.12	$ 15.49	$ 11.24	$ 12.70	$ 19.59	$ 8.60
Leasing Commissions	$ 1,037,012	$ 1,892,635	$ 832,658	$ 1,394,470	$ 1,289,194	$ 658,008	$ 319,877	$ 338,131
Per Square Foot Leased	$ 3.92	$ 5.06	$ 4.30	$ 8.92	$ 5.55	$ 7.19	$ 9.36	$ 5.90
Total Per Square Foot	$ 14.68	$ 16.63	$ 11.42	$ 24.41	$ 16.79	$ 19.89	$ 28.95	$ 14.50
Total Suburban Markets - Office Properties								
Tenant Improvements	$ 11,643,011	$ 12,422,474	$ 15,610,933	$ 16,382,643	$ 14,014,765	$ 3,423,711	$ 2,611,855	$ 811,856
Per Square Foot Improved	$ 10.95	$ 10.24	$ 10.30	$ 12.25	$ 10.48	$ 13.36	$ 26.53	$ 5.15
Leasing Commissions	$ 4,346,855	$ 5,944,728	$ 7,343,194	$ 6,683,880	$ 6,079,664	$ 1,407,721	$ 910,124	$ 497,597
Per Square Foot Leased	$ 4.09	$ 4.90	$ 4.84	$ 5.00	$ 4.55	$ 5.49	$ 9.25	$ 3.15
Total Per Square Foot	$ 15.04	$ 15.14	$ 15.14	$ 17.25	$ 15.03	$ 18.85	$ 35.78	$ 8.30
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	$ 1,615,396	$ 1,615,396	$ 0.00
Per Square Foot Improved	$ 18.39	$ 32.84	$ 23.21	$ 28.20	$ 25.66	$ 46.29	$ 49.08	$ 0.00
Leasing Commissions	$ 2,019,837	$ 2,950,330[2][3]	$ 3,041,141[4]	$ 4,418,706[2][4]	$ 3,107,504	$ 678,524	$ 678,524	$ 0.00
Per Square Foot Leased	$ 8.54	$ 16.68	$ 7.19	$ 11.70	$ 11.03	$ 19.44	$ 20.61	$ 0.00
Total Per Square Foot	$ 26.93	$ 49.52	$ 30.40	$ 39.90	$ 36.69	$ 65.74	$ 69.69	$ 0.00
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.

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):

	Three months ended March 31,	
	2006	**2005**
Capital expenditures:		
Non-incremental	$ 2,457	$ 3,082
Incremental	2,092	2,593
Tenant improvements:		
Non-incremental	6,726	5,051
Incremental	7,171	6,717
Additions to commercial real estate properties	$ 18,446	$ 17,443
Leasing costs:		
Non-incremental	$ 3,339	$ 2,694
Incremental	2,330	1,679
Payment of deferred leasing costs	$ 5,669	$ 4,373
Acquisition and development costs	$ 8,090	$ 10,809

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The following table sets forth our lease expiration schedule, as adjusted for pre-leased space and inclusive of joint venture interests, at April 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	183	1,279,732	6.3%	6.3%
2007	169	1,622,249	8.0%	14.3%
2008	175	1,370,551	6.8%	21.1%
2009	150	1,335,441	6.6%	27.7%
2010	188	2,198,376	10.9%	38.6%
2011 and thereafter	462	10,550,584	52.3%	90.9%
Total/Weighted Average	1,327	18,356,933	90.9%	
Total Portfolio Square Feet		20,180,469		

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	181	1,219,673	6.3%	6.3%
2007	166	1,569,727	8.1%	14.4%
2008	173	1,338,308	6.9%	21.3%
2009	149	1,290,460	6.7%	28.0%
2010	185	1,942,680	10.1%	38.1%
2011 and thereafter	453	10,348,438	53.6%	91.7%
Total/Weighted Average	1,307	17,709,286	91.7%	
Total Office Portfolio Square Feet		19,317,074		

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	2	60,059	7.0%	7.0%
2007	3	52,522	6.1%	13.1%
2008	2	32,243	3.7%	16.8%
2009	1	44,981	5.2%	22.0%
2010	3	255,696	29.6%	51.6%
2011 and thereafter	9	202,146	23.4%	75.0%
Total/Weighted Average	20	647,647	75.0%	
Total Flex Portfolio Square Feet		863,395		

PART II - OTHER INFORMATION

Item 1. Legal Proceedings

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 the liquidity, results of operations or business or financial condition of the Operating Partnership.

Item 1A. Risk Factors

There were no material changes to the Risk Factors disclosed in our annual report on Form 10-K for the year ended December 31, 2005.

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 May 9, 2006, the Company entered into agreements with each of Scott H. Rechler, CEO of the Company, Michael Maturo, President and Chief Financial Officer of the Company, and Jason M. Barnett, Senior Executive Vice President—Corporate Initiatives and General Counsel of the Company, pursuant to which the term of each such officer’s amended and restated employment and noncompetition agreement was extended in all respects through June 30, 2006. In accordance with the terms of each such officer’s amended and restated severance agreement, the term and duration of his severance agreement is identical to the term and duration of his employment and noncompetition agreement.

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

Item 6. Exhibits

Exhibits

3.1 Supplement to the Amended and Restated Agreement of Limited Partnership of Reckson Operating Partnership, L.P. Establishing 2006 LTIP Units of Limited Partnership Interest

10.1 Long-Term Incentive Plan OP Unit Award Agreement, dated as of April 4, 2006, between the Company and Scott H. Rechler (1)

10.2 Long-Term Incentive Plan OP Unit Award Agreement, dated as of April 4, 2006, between the Company and Salvatore Campofranco (2)

10.3 Change-in-Control Bonus Agreement, dated as of April 4, 2006, between the Company and Scott H. Rechler (3)

10.4 Agreement for Extension of Employment and Noncompetition Agreement, dated as of May 9, 2006, by and between the Company and Scott H. Rechler (4)

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) or Rule 15(d) – 14(a).

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) or Rule 15(d) – 14(a).

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.

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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.

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(1) Each of Michael Maturo and Jason M. Barnett has entered into a Long-Term Incentive Plan OP Unit Award Agreement, dated as of April 4, 2006, with the Company. These agreements are identical in all material respects to the Long-Term Incentive Plan OP Unit Award Agreement of Scott H. Rechler filed herewith.

(2) Each of F. D. Rich III and Philip Waterman III has entered into a Long-Term Incentive Plan OP Unit Award Agreement, dated as of April 4, 2006, with the Company. These agreements are identical in all material respects to the Long-Term Incentive Plan OP Unit Award Agreement of Salvatore Campofranco filed herewith.

(3) Each of Michael Maturo and Jason M. Barnett has entered into a Change-in-Control Bonus Agreement, dated as of April 4, 2006, with the Company. These agreements are identical in all material respects to the Change-in-Control Bonus Agreement of Scott H. Rechler filed herewith.

(4) Each of Michael Maturo and Jason M. Barnett has entered into an Agreement for Extension of Employment and Noncompetition Agreement, dated as of May 9, 2006, with the Company. These agreements are identical in all material respects to the Agreement for Extension of Employment and Noncompetition Agreement for Scott H. Rechler filed herewith.

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

Scott H. Rechler
Chairman of the Board, Chief
Executive Officer and Director of Reckson Associates
Realty Corp., the sole general partner of the Registrant

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

DATE: May 15, 2006

Exhibit 3.1

SUPPLEMENT TO THE AMENDED AND RESTATED AGREEMENT OF LIMITED PARTNERSHIP OF RECKSON OPERATING PARTNERSHIP, L.P. ESTABLISHING 2006 LTIP UNITS OF LIMITED PARTNERSHIP INTEREST

In accordance with Sections 4.2 and 14.1.B (2), (3) and (4) of the Amended and Restated Agreement of Limited Partnership, dated as of June 2, 1995, as amended on December 6, 1995, April 13, 1998, April 20, 1998, June 30, 1998, May 24, 1999, June 2, 1999, October 13, 2000, August 7, 2003, December 27, 2004 and March 11, 2005 (the "Partnership Agreement"), the Partnership Agreement is hereby supplemented (the "Supplement") to establish a class of units of limited partnership interest of Reckson Operating Partnership, L.P. (the "Partnership"), which shall be designated "2006 LTIP Units," having the rights, powers, privileges and restrictions, qualifications and limitations as set forth below and which shall be issued to the parties and in the amounts set forth on SCHEDULE A hereto. Capitalized terms used and not otherwise defined herein shall have the meanings set forth in the Partnership Agreement, including the Supplement thereto, dated December 27, 2004, establishing LTIP Units of limited partnership interest.

WHEREAS, the Partnership desires to provide for equity incentives to certain employees of the Company who provide services for the benefit of the Partnership ("Grantees").

WHEREAS, pursuant to Section 4.2 of the Partnership Agreement, the Partnership is issuing 2006 LTIP Units to the Grantees with the rights, powers, privileges and restrictions, qualifications and limitations as set forth below.

WHEREAS, pursuant to Section 4.2 and Sections 14.1.B (2), (3) and (4) of the Partnership Agreement, the General Partner is amending and supplementing the Partnership Agreement to facilitate the issuance of the 2006 LTIP Units.

NOW THEREFORE, in consideration of the mutual covenants contained herein, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

SECTION 1. Issuance of 2006 LTIP Units.

(a) Pursuant to Section 4.2 of the Partnership Agreement, the Partnership hereby issues 207,000 Partnership Interests (the "2006 LTIP Units") to the Grantees and in the amounts set forth on SCHEDULE A hereto. The 2006 LTIP Units shall have the rights, powers, privileges, restrictions, qualifications and limitations (including, but not limited to, limitations on transfer) of Limited Partners under the Partnership Agreement, as supplemented and amended by the rights, powers, privileges, restrictions, qualifications and limitations specified in EXHIBIT I hereto.

(b) The admission of the Grantees as Additional Limited Partners of the Partnership shall become effective as of the date of this Supplement, which shall also be the date upon which the names of the Grantees are recorded on the books and records of the Partnership, and Exhibit A to the Partnership Agreement is amended to reflect such admission.

SECTION 2. Amendments to Partnership Agreement.

Pursuant to Section 14.1.B(3) of the Partnership Agreement, the General Partner, as general partner of the Partnership and as attorney-in-fact for its Limited Partners, hereby amends the Partnership Agreement as follows:

(a) Article 1 of the Partnership Agreement is hereby amended by inserting the following definitions in alphabetical order:

> "2006 LTIP Units" means the units of the class of limited partnership interest initially issued on April 4, 2006, having the rights, powers, privileges, restrictions, qualifications and limitations set forth in the Supplement to the Partnership Agreement dated as of such date.

(b) Section 6.1E of the Partnership Agreement is hereby amended by replacing the text thereof with the following:

> E. Notwithstanding the provisions of Section 6.1.A above, but subject to the prior allocation of income and gain under clauses A(i), (ii) and (iii) above and to the terms of any Partnership Unit Designation in respect of any class of Partnership Interests ranking senior to the LTIP Units, the 2005 LTIP Units and the 2006 LTIP Units with respect to return of capital or any preferential or priority return, any Liquidating Capital Gains shall first be allocated to the holders of LTIP Units and next to holders of 2005 LTIP Units and next to holders of 2006 LTIP Units until the Economic Capital Account Balances of such holders, to the extent attributable to their ownership of LTIP Units, 2005 LTIP Units or 2006 LTIP Units, as applicable, are equal to (i) the Common Unit Economic Balance, multiplied by (ii) the number of their LTIP Units, 2005 LTIP Units or 2006 LTIP Units, as applicable; provided that no such Liquidating Capital Gains will be allocated with respect to any particular LTIP Unit, 2005 LTIP Unit or 2006 LTIP Unit, as applicable, unless and to the extent that the Common Unit Economic Balance exceeds the Common Unit Economic Balance in existence at the time such LTIP Unit, 2005 LTIP Unit or 2006 LTIP Unit, as applicable, was issued. For this purpose, "Liquidating Capital Gains" means net capital gains realized in connection with the actual or hypothetical sale of all or substantially all of the assets of the Partnership, including but not limited to net capital gain realized in connection with an adjustment to the Carrying Value of Partnership assets under Section 704(b) of the Code. The "Economic Capital Account Balances" of the holders of LTIP Units, 2005 LTIP Units or 2006 LTIP Units, as applicable, will be equal to their Capital Account balances, plus the amount of their shares of any Partner Minimum Gain or Partnership Minimum Gain, in either case to the extent attributable to their ownership of LTIP Units, 2005 LTIP Units or 2006 LTIP Units, as applicable. Similarly, the "Common Unit Economic Balance" shall mean (i) the Capital Account Balance of the Company, plus the amount of the Company's share of any Partner Minimum Gain or Partnership Minimum Gain, in either case to the extent attributable to the Company's ownership of Common Units and computed on a hypothetical basis after taking into account all allocations through the date on which any allocation is made under this Section 6.1.E, divided by (ii) the number of the Company's Common Units. Any such allocations shall be made first among the LTIP Unitholders, next among the 2005 LTIP Unitholders and next among the 2006 LTIP Unitholders in proportion to the amounts required to be allocated to each under this Section 6.1.E. The parties agree that the intent of this Section 6.1.E is to make the Capital Account Balance associated with each LTIP Unit, 2005 LTIP Unit and 2006 LTIP Unit economically equivalent to the Capital Account Balance associated with the Company's Common Units (on a per-Unit basis), but only if the Capital Account Balance associated with the Company's Common Units has increased on a per-Unit basis since the issuance of the relevant

LTIP Unit, 2005 LTIP Unit or 2006 LTIP Unit, as applicable.

(c) Section 8.6A is hereby amended by replacing the text of the final sentence thereof with the following:

> Notwithstanding the foregoing, the Redemption Right shall not be exercisable with respect to any Common Unit issued upon conversion of an LTIP Unit, a 2005 LTIP Unit or a 2006 LTIP Unit, as applicable, until on or after the date that is two years after the date on which the LTIP Unit, 2005 LTIP Unit or 2006 LTIP Unit, as applicable, was issued, provided however, that the foregoing restriction shall not apply if the Redemption Right is exercised by an LTIP Unitholder, a 2005 LTIP Unitholder or a 2006 LTIP Unitholder, as applicable, in connection with a transaction that falls within the definition of a "change-in-control" under the agreement or agreements to which the LTIP Units, the 2005 LTIP Units or the 2006 LTIP Units, as applicable, were issued to him or her.

(d) The term "transfer" as used in Article 11 of the Partnership Agreement shall not include any conversion of 2006 LTIP Units into Common Units.

SECTION 3. Continuation of Partnership Agreement.

The Partnership Agreement and this Supplement shall be read together and shall have the same force and effect as if the provisions of the Partnership Agreement and this Supplement (including EXHIBIT I hereto) were contained in one document. Any provisions of the Partnership Agreement not amended by this Supplement shall remain in full force and effect as provided in the Partnership Agreement immediately prior to the date hereof.

IN WITNESS WHEREOF, the parties hereto have executed this Supplement to the Partnership Agreement as of the 4th day of April, 2006.

GENERAL PARTNER:

RECKSON ASSOCIATES REALTY CORP.

By: /s/ Jason Barnett

Name: Jason Barnett
Title: Senior Executive Vice President-Corporate Initiatives and General Counsel

EXISTING LIMITED PARTNERS:

By: Reckson Associates Realty Corp., as Attorney-in-Fact for the Limited Partners

By: /s/ Jason Barnett

Name: Jason Barnett
Title: Senior Executive Vice President-Corporate Initiatives and General Counsel

GRANTEES:

*Individual Counterpart Signature Pages Attached.

RECKSON OPERATING PARTNERSHIP, L.P.

Limited Partner Signature Page

The undersigned, desiring to become one of the within named Limited Partners of Reckson Operating Partnership, L.P. (the "Partnership") hereby becomes a party to the Amended and Restated Agreement of Limited Partnership, dated as of June 2, 1995 and amended through the date hereof, of the Partnership, by and among Reckson Associates Realty Corp. and such Limited Partners. The undersigned agrees that this signature page may be attached to any counterpart of said Amended and Restated Agreement of Limited Partnership.

Date:

Name of Limited Partner (please print)

Signature

Address

EXHIBIT I

RECKSON OPERATING PARTNERSHIP, L.P.

DESIGNATION OF THE RIGHTS, POWERS, PRIVILEGES, RESTRICTIONS, QUALIFICATIONS AND LIMITATIONS OF THE 2006 LTIP UNITS

The following are the terms of the 2006 LTIP Units established pursuant to this Supplement:

1. Number. The maximum number of authorized LTIP Units shall be 207,000, subject to adjustment as provided herein.

2. Vesting.

(a) Vesting, Generally. LTIP Units may, in the sole discretion of the General Partner, be issued subject to vesting, forfeiture and additional restrictions on transfer pursuant to the terms of an award vesting or other similar agreement (a "Vesting Agreement"). The terms of any Vesting Agreement may be modified by the General Partner from time to time in its sole discretion, subject to any restrictions on amendment imposed by the relevant Vesting Agreement or by the terms of any plan pursuant to which the 2006 LTIP Units are issued, if applicable. 2006 LTIP Units that have vested under the terms of a Vesting Agreement are referred to as "Vested 2006 LTIP Units"; all other 2006 LTIP Units shall be treated as "Unvested 2006 LTIP Units." Subject to the terms of any Vesting Agreement, a holder of 2006 LTIP Units shall be entitled to transfer his or her 2006 LTIP Units to the same extent, and subject to the same restrictions as holders of Common Units are entitled to transfer their Common Units pursuant to Article 11 of the Agreement.

(b) Forfeiture or Transfer of Unvested 2006 LTIP Units. Unless otherwise specified in the Vesting Agreement, upon the occurrence of any event specified in a Vesting Agreement as resulting in either the right of the Partnership or the Company to repurchase 2006 LTIP Units at a specified purchase price or some other forfeiture of any 2006 LTIP Units, then if the Partnership or the Company exercises such right to repurchase or upon the occurrence of the circumstances resulting in such forfeiture, then the relevant 2006 LTIP Units shall immediately, and without any further action, be treated as transferred to the Company, if applicable, or cancelled and no longer outstanding for any purpose. Unless otherwise specified in the Vesting Agreement, no consideration or other payment shall be due with respect to any 2006 LTIP Units that have been forfeited, other than any distributions declared with respect to a Distribution Payment Record Date (as defined below) prior to the effective date of the forfeiture. In connection with any repurchase or forfeiture of 2006 LTIP Units, the balance of the portion of the Capital Account of the holder that is attributable to all of his or her 2006 LTIP Units shall be reduced by the amount, if any, by which it exceeds the target balance contemplated by Section 6.1.E of the Partnership Agreement, calculated with respect to the Holder's remaining 2006 LTIP Units, if any.

(c) Legend. Any certificate evidencing a 2006 LTIP Unit shall bear an appropriate legend indicating that additional terms, conditions and restrictions on transfer, including without limitation any Vesting Agreement, apply to the 2006 LTIP Unit.

3. Distributions.

(a) 2006 LTIP Distribution Amount. Commencing as of the quarterly period beginning on April 1, 2006, for any quarterly period holders of such 2006 LTIP Units shall be entitled to receive, if, when and as authorized by the General Partner out of funds legally available for the payment of distributions, cash distributions in an amount per unit equal to the distribution payable on the Common Units for the corresponding quarterly period (the "2006 LTIP Distribution Amount"). Distributions on the 2006 LTIP Units, if authorized, shall be payable quarterly in arrears on such dates as may be authorized by the General Partner (any such date, a "Distribution Payment Date"). In addition, 2006 LTIP Units shall be entitled to receive, if, when and as authorized by the General Partner out of funds or other property legally available for the payment of distributions, any special, extraordinary or other distributions payable on the Common Units which may be made from time to time in an amount per unit equal to the amount of any special, extraordinary or other distributions payable on the Common Units. Distributions will be payable to the holder of the 2006 LTIP Units with respect to the 2006 LTIP Units held at the close of business on the applicable record date, which shall be such date designated by the General Partner for the payment of distributions that is not more than 30 nor less than 10 days prior to such Distribution Payment Date (each, a "Distribution Payment Record Date"). With regard to any distribution to the 2006 LTIP Units, the Distribution Payment Date shall be the same date as the date fixed for the payment of distributions to holders of Common Units and the Distribution Payment Record Date shall be the same date set for the record date for holders of Common Units. In the event that distributions to holders of Common Units for any period are paid on other than a quarterly basis, for example, on a monthly basis, then distributions to holders of the 2006 LTIP Units shall also be paid on that alternate basis.

(b) Prohibited Distributions. No distributions on the 2006 LTIP Units shall be authorized by the General Partner or be paid or set apart for payment by the Partnership at such time as the terms and provisions of any agreement of the Partnership, including any agreement relating to its indebtedness, prohibits such authorization, payment or setting apart for payment or provides that such authorization, payment or setting apart for payment would constitute a breach thereof or a default thereunder, or if such authorization or payment shall be restricted or prohibited by law.

(c) Noncumulative Distributions. Distributions on the 2006 LTIP Units will be noncumulative. If the General Partner does not authorize a distribution on the 2006 LTIP Units payable on any Distribution Payment Date while any 2006 LTIP Unit is outstanding, then the holder of the 2006 LTIP Units will have no right to receive a distribution for that Distribution Payment Date, and the Partnership will have no obligation to pay a distribution for that Distribution Payment Date with respect to the 2006 LTIP Units.

(d) Parity with Common Units. No distributions, whether in cash, securities or property, will be authorized or paid or set apart for payment to holders of Common Units for any period unless for each 2006 LTIP Unit outstanding, a distribution equal to the 2006 LTIP Distribution Amount with respect to such period has been or contemporaneously is authorized and paid or authorized and a sum sufficient for the payment thereof is set apart for such payment to the holders of the 2006 LTIP Units for such distribution period.

(e) Definition of Set Apart for Payment. As used in this Section 3, "set apart for payment" shall be deemed to include, without any further action, the following: the recording by the Partnership in its accounting ledgers of any accounting or bookkeeping entry which indicates, pursuant to an authorization of a distribution by the General Partner, the allocation of funds to be so paid on any series or class of units of the Partnership.

4. Adjustments.

The Partnership shall maintain at all times a one-to-one correspondence between 2006 LTIP Units and Common Units for conversion, distribution and other purposes, including without limitation complying with the following procedures. If an Adjustment Event (as defined below) occurs, then the General Partner shall make a corresponding adjustment to the 2006 LTIP Units to maintain a one-for-one conversion and economic equivalence ratio between Common Units and 2006 LTIP Units. The following shall be "Adjustment Events": (A) the Partnership makes a distribution on all outstanding Common Units in Partnership Units, (B) the Partnership subdivides the outstanding Common Units into a greater number of units or combines the outstanding Common Units into a smaller number of units, or (C) the Partnership issues any Partnership Units in exchange for its outstanding Common Units by way of a reclassification or recapitalization of its Common Units. If more than one Adjustment Event occurs, the adjustment to the 2006 LTIP Units need be made only once using a single formula that takes into account each and every Adjustment Event as if all Adjustment Events occurred simultaneously. For the avoidance of doubt, the following shall not be Adjustment Events: (x) the issuance of Partnership Units in a financing, reorganization, acquisition or other similar business transaction, (y) the issuance of Partnership Units pursuant to any employee benefit or compensation plan or distribution reinvestment plan, or (z) the issuance of any Partnership Units to the Company in respect of a capital contribution to the Partnership of proceeds from the sale of securities by the Company. If the Partnership takes an action affecting the Common Units other than actions specifically described above as "Adjustment Events" and in the opinion of the General Partner such action would require an adjustment to the 2006 LTIP Units to maintain the one-to-one correspondence described above, the General Partner shall have the right to make such adjustment to the 2006 LTIP Units, to the extent permitted by law and by the terms of any plan pursuant to which the 2006 LTIP Units have been issued, in such manner and at such time as the General Partner, in its sole discretion, may determine to be appropriate under the circumstances. If an adjustment is made to the 2006 LTIP Units as herein provided the Partnership shall promptly file in the books and records of the Partnership an officer's certificate setting forth such adjustment and a brief statement of the facts requiring such adjustment, which certificate shall be conclusive evidence of the correctness of such adjustment absent manifest error. Promptly after filing of such certificate, the Partnership shall mail a notice to each holder of 2006 LTIP Units setting forth the adjustment to his or her 2006 LTIP Units and the effective date of such adjustment.

5. Ranking.

The 2006 LTIP Units shall rank on parity with the Common Units in all respects.

6. No Liquidation Preference.

The 2006 LTIP Units shall have no liquidation preference.

7. Right to Convert 2006 LTIP Units into Common Units.

(a) Conversion Right. On or after the date that is two (2) years after the 2006 LTIP Issuance Date a holder of 2006 LTIP Units shall have the right (the "Conversion Right"), at his or her option, at any time to convert all or a portion of his or her Vested 2006 LTIP Units into Common Units; provided, however, that a holder may not exercise the Conversion Right for fewer than one thousand (1,000) Vested 2006 LTIP Units or, if such holder holds fewer than one thousand Vested 2006 LTIP Units, all of the holder's Vested 2006 LTIP Units. Holders of 2006 LTIP Units shall not have the right to convert Unvested 2006 LTIP Units into Common Units until they become Vested 2006 LTIP Units. The General Partner shall have the right at any time to cause a conversion of Vested 2006 LTIP Units into Common Units. In all cases, the conversion of any 2006 LTIP Units into Common Units shall be subject to the conditions and procedures set forth in this Section 7.

(b) Number of Units Convertible. A holder of Vested 2006 LTIP Units may convert such Units into an equal number of fully paid and non-assessable Common Units, giving effect to all adjustments (if any) made pursuant to Section 4. Notwithstanding the foregoing, in no event may a holder of Vested 2006 LTIP Units convert a number of Vested 2006 LTIP Units that exceeds (x) the Economic Capital Account Balance of such holder, to the extent attributable to its ownership of 2006 LTIP Units, divided by (y) the Common Unit Economic Balance, in each case as determined as of the effective date of conversion (the "Capital Account Limitation").

(c) Notice. In order to exercise his or her Conversion Right, a holder of 2006 LTIP Units shall deliver a notice (a "Conversion Notice") in the form attached as EXHIBIT A to this Supplement (with a copy to the General Partner) not less than 10 nor more than 60 days prior to a date (the "Conversion Date") specified in such Conversion Notice; provided, however, that if the General Partner has not given to the 2006 LTIP Unitholders notice of a proposed or upcoming Transaction (as defined below) at least thirty (30) days prior to the effective date of such Transaction, then holders of 2006 LTIP Units shall have the right to deliver a Conversion Notice until the earlier of (x) the tenth (10th) day after such notice from the General Partner of a Transaction or (y) the third business day immediately preceding the effective date of such Transaction. A Conversion Notice shall be provided in the manner provided in Section 15.1 of the Partnership Agreement. Each Holder of 2006 LTIP Units covenants and agrees with the Partnership that all Vested 2006 LTIP Units to be converted pursuant to this Section 7 shall be free and clear of all liens. Notwithstanding anything herein to the contrary, a Holder of 2006 LTIP Units may deliver a Redemption Notice pursuant to Section 8.6 of the Partnership Agreement relating to those Common Units that will be issued to such holder upon conversion of such 2006 LTIP Units into Common Units in advance of the Conversion Date; provided, however, that the redemption of such Common Units by the Partnership shall in no event take place until the Conversion Date. For clarity, it is noted that the objective of this paragraph is to put a holder of 2006 LTIP Units in a position where, if he or she so wishes, the Common Units into which his or her Vested 2006 LTIP Units will be converted can be redeemed by the Partnership simultaneously with such conversion, with the further consequence that, if the Company elects to assume the Partnership's redemption obligation with respect to such Common Units under Section 8.6 of the Partnership Agreement by delivering to such holder REIT Shares rather than cash, then such holder can have such REIT Shares issued to him or her simultaneously with the conversion of his or her Vested 2006 LTIP Units into Common Units. The General Partner shall cooperate with a holder of 2006 LTIP Units to coordinate the timing of the different events described in the foregoing sentence.

(d) Forced Conversion. The Partnership, at any time at the election of the General Partner, may cause any number of Vested 2006 LTIP Units held by a holder of 2006 LTIP Units to be converted (a "Forced Conversion") into an equal number of Common Units, giving effect to all adjustments (if any) made pursuant to Section 4; provided, that the Partnership may not cause a Forced Conversion of any 2006 LTIP Units that would not at the time be eligible for conversion at the option of such 2006 LTIP Unitholder pursuant to paragraph (b) above. In order to exercise its right of Forced Conversion, the Partnership shall deliver a notice (a "Forced Conversion Notice") in the form attached as EXHIBIT B to this Supplement to the applicable Holder not less than 10 nor more than 60 days prior to the Conversion Date specified in such Forced Conversion Notice. A Forced Conversion Notice shall be provided in the manner provided in Section 15.1 of the Partnership Agreement.

(e) Conversion Procedures. A conversion of Vested 2006 LTIP Units for which the Holder has given a Conversion Notice or the Partnership has given a Forced Conversion Notice shall occur automatically after the close of business on the applicable Conversion Date without any action on the part of such holder of 2006 LTIP Units, as of which time such holder of 2006 LTIP Units shall be credited on the books and records of the Partnership with the issuance as of the opening of business on the next day of the number of Common Units issuable upon such conversion. After the conversion of 2006 LTIP Units as aforesaid, the Partnership shall deliver to such holder of 2006 LTIP Units, upon his or her written request, a certificate of the General Partner certifying the number of Common Units and remaining 2006 LTIP Units, if any, held by such Person immediately after such conversion.

(f) Treatment of Capital Account. For purposes of making future allocations under Section 6.1.E of the Agreement and applying the Capital Account Limitation, the portion of the Economic Capital Account Balance of the applicable holder of 2006 LTIP Units that is treated as attributable to his or her 2006 LTIP Units shall be reduced, as of the date of conversion, by the product of the number of 2006 LTIP Units converted and the Common Unit Economic Balance.

(g) Mandatory Conversion in Connection with a Transaction. If the Partnership or the General Partner shall be a party to any transaction (including without limitation a merger, consolidation, unit exchange, self tender offer for all or substantially all Common Units or other business combination or reorganization, or sale of all or substantially all of the Partnership's assets, but excluding any transaction which constitutes an Adjustment Event), in each case as a result of which Common Units shall be exchanged for or converted into the right, or the holders of such Units shall otherwise be entitled, to receive cash, securities or other property or any combination thereof (each of the foregoing being referred to herein as a "Transaction"), then the General Partner shall, immediately prior to the Transaction, exercise its right to cause a Forced Conversion with respect to the maximum number of 2006 LTIP Units then eligible for conversion, taking into account any allocations that occur in connection with the Transaction or that would occur in connection with the Transaction if the assets of the Partnership were sold at the Transaction price or, if applicable, at a value determined by the General Partner in good faith using the value attributed to the Partnership Units in the context of the Transaction (in which case the Conversion Date shall be the effective date of the Transaction).

In anticipation of such Forced Conversion and the consummation of the Transaction, the Partnership shall use commercially reasonable efforts to cause each holder of 2006 LTIP Units to be afforded the right to receive in connection with such Transaction in consideration for the Common Units into which his or her 2006 LTIP Units will be converted the same kind and amount of cash, securities and other property (or any combination thereof) receivable upon the consummation of such Transaction by a holder of the same number of Common Units, assuming such holder of Common Units is not a Person with which the Partnership consolidated or into which the Partnership merged or which merged into the Partnership or to which such sale or transfer was made, as the case may be (a "Constituent Person"), or an affiliate of a Constituent Person. In the event that holders of Common Units have the opportunity to elect the form or type of consideration to be received upon consummation of the Transaction, prior to such Transaction the General Partner shall give prompt written notice to each holder of 2006 LTIP Units of such election, and shall use commercially reasonable efforts to afford such holders the right to elect, by written notice to the General Partner, the form or type of consideration to be received upon conversion of each 2006 LTIP Unit held by such holder into Common Units in connection with such Transaction. If a holder of 2006 LTIP Units fails to make such an election, such Holder (and any of its transferees) shall receive upon conversion of each 2006 LTIP Unit held by him or her (or by any of his or her transferees) the same kind and amount of consideration that a holder of a Common Unit would receive if such Common Unit Holder failed to make such an election.

Subject to the rights of the Partnership and the General Partner under any Vesting Agreement and the terms of any plan under which 2006 LTIP Units are issued, the Partnership shall use commercially reasonable effort to cause the terms of any Transaction to be consistent with the provisions of this Section 7 and to enter into an agreement with the successor or purchasing entity, as the case may be, for the benefit of any holders of 2006 LTIP Units whose 2006 LTIP Units will not be converted into Common Units in connection with the Transaction that will (i) contain provisions enabling the holders of 2006 LTIP Units that remain outstanding after such Transaction to convert their 2006 LTIP Units into securities as comparable as reasonably possible under the circumstances to the Common Units and (ii) preserve as far as reasonably possible under the circumstances the distribution, special allocation, conversion, and other rights set forth in the Partnership Agreement for the benefit of the holders of 2006 LTIP Units.

8. Redemption at the Option of the Partnership.

2006 LTIP Units will not be redeemable at the option of the Partnership; provided, however, that the foregoing shall not prohibit the Partnership from repurchasing 2006 LTIP Units from the holder thereof if and to the extent such holder agrees to sell such 2006 LTIP Units.

9. Intentionally Omitted.

10. Voting Rights.

(a) Voting with Common Units. Holders of 2006 LTIP Units shall have the right to vote on all matters submitted to a vote of the holders of Common Units; holders of 2006 LTIP Units and Common Units shall vote together as a single class, together with any other class or series of units of limited partnership interest in the Partnership upon which like voting rights have been conferred. In any matter in which the 2006 LTIP Units are entitled to vote, including an action by written consent, each 2006 LTIP Unit shall be entitled to one vote.

(b) Special Approval Rights. In addition to, and not in limitation of, the provisions of Section 10(a) above (and notwithstanding anything appearing to be contrary in the Partnership Agreement), the Company and/or the Partnership shall not, without the affirmative consent of the holders of sixty-six and two-thirds percent (66 2/3%) of the then outstanding 2006 LTIP Units, given in person or by proxy, either in writing or at a meeting, take any action that would materially and adversely alter, change, modify or amend the rights, powers or privileges of the 2006 LTIP Units; but subject in any event to the following provisions: (i) no consent of the holders of 2006 LTIP Units will be required if and to the extent that any such alteration, change, modification or amendment would similarly alter, change, modify or amend the rights, powers or privileges of the Common Units; (ii) with respect to the occurrence of any merger, consolidation or other business combination or reorganization, so long as the 2006 LTIP Units remain outstanding with the terms thereof materially unchanged or, if the Partnership is not the surviving entity in such transaction, are exchanged for a security of the surviving entity with terms that are materially the same with respect to rights to allocations, distributions, redemption, conversion and voting as the 2006 LTIP Units and without any income, gain or loss expected to be recognized by the holder upon the exchange for federal income tax purposes (and with the terms of the Common Units or such other securities into which the 2006 LTIP Units (or the substitute security therefor) are convertible materially the same with respect to rights to allocations, distributions, redemption, conversion and voting), the occurrence of any such event shall not be deemed to materially and adversely alter, change, modify or amend the rights, powers or privileges of the 2006 LTIP Units; (iii) any creation or issuance of any Common Units or of any class of series of common or preferred units of the Partnership (whether ranking junior to, on a parity with or senior to the 2006 LTIP Units with respect to payment of distributions, redemption rights and the distribution of assets upon liquidation, dissolution or winding up), which either (x) does not require the consent of the holders of Common Units or (y) does require such consent and is authorized by a vote of the holders of Common Units; and 2006 LTIP Units voting together as a single class, together with any other class or series of units of limited partnership interest in the Partnership upon which like voting rights have been conferred, shall not be deemed to materially and adversely alter, change, modify or amend the rights, powers or privileges of the 2006 LTIP Units; and (iv) any waiver by the Partnership of restrictions or limitations applicable to any outstanding 2006 LTIP Units with respect to any holder or holders thereof shall not be deemed to materially and adversely alter, change, modify or amend the rights, powers or privileges of the 2006 LTIP Units with respect to other holders. The foregoing voting provisions will not apply if, as of or prior to the time when the action with respect to which such vote would otherwise be required will be taken or be effective, all outstanding 2006 LTIP Units shall have been converted, or provision is made for such conversion to occur as of or prior to such time.

Exhibit A

NOTICE OF ELECTION BY PARTNER TO CONVERT
2006 LTIP UNITS INTO COMMON UNITS

The undersigned holder of 2006 LTIP Units hereby irrevocably elects to convert the number of Vested 2006 LTIP Units in Reckson Operating Partnership, L.P. (the "Partnership") set forth below into Common Units in accordance with the terms of the Amended and Restated Agreement of Limited Partnership of the Partnership, as amended. The undersigned hereby represents, warrants, and certifies that the undersigned: (a) has title to such 2006 LTIP Units, free and clear of the rights or interests of any other person or entity other than the Partnership; (b) has the full right, power, and authority to cause the conversion of such 2006 LTIP Units as provided herein; and (c) has obtained the consent or approval of all persons or entities, if any, having the right to consent or approve such conversion.

Name of Holder:

(Please Print: Exact Name as Registered with Partnership)

Number of 2006 LTIP Units to be Converted:

Date of this Notice:

(Signature of Holder: Sign Exact Name as Registered with Partnership)

(Street Address)

(City) (State) (Zip Code)

Signature Guaranteed by:

Exhibit B

NOTICE OF ELECTION BY PARTNERSHIP TO FORCE CONVERSION
OF 2006 LTIP UNITS INTO COMMON UNITS

Reckson Operating Partnership, L.P. (the "Partnership") hereby irrevocably elects to cause the number of 2006 LTIP Units held by the holder of 2006 LTIP Units set forth below to be converted into Common Units in accordance with the terms of the Amended and Restated Agreement of Limited Partnership of the Partnership.

Name of Holder:

(Please Print: Exact Name as Registered with Partnership)

Number of 2006 LTIP Units to be Converted:

Date of this Notice:

Schedule A

Name and Address	Number of 2006 LTIP Units
Scott H. Rechler c/o Reckson Associates Realty Corp. 225 Broadhollow Road Melville, New York 11747	100,000
Michael Maturo c/o Reckson Associates Realty Corp. 225 Broadhollow Road Melville, New York 11747	50,000
Jason M. Barnett c/o Reckson Associates Realty Corp. 225 Broadhollow Road Melville, New York 11747	15,000
Salvatore Campofranco c/o Reckson Associates Realty Corp. 225 Broadhollow Road Melville, New York 11747	10,000
F. D. Rich c/o Reckson Associates Realty Corp. 225 Broadhollow Road Melville, New York 11747	12,500
Philip Waterman c/o Reckson Associates Realty Corp. 225 Broadhollow Road Melville, New York 11747	2,500
Todd Rechler c/o Reckson Associates Realty Corp. 225 Broadhollow Road Melville, New York 11747	8,500
Richard Conniff c/o Reckson Associates Realty Corp. 225 Broadhollow Road Melville, New York 11747	8,500

Exhibit 10.1

RECKSON ASSOCIATES REALTY CORP.
LONG-TERM INCENTIVE PLAN
OP UNIT AWARD AGREEMENT

Name of Grantee: Scott H. Rechler ("Grantee")
No. of LTIP OP Units: 100,000
Date of Grant: April 4, 2006

RECITALS

A. The Grantee is an executive officer of Reckson Associates Realty Corp. (the "Company") or one of its Affiliates.

B. The Grantee was selected by the Compensation Committee of the Board of Directors of the Company (the "Committee") to receive an award of Long-Term Incentive Plan OP Units ("LTIP OP Units") in Reckson Operating Partnership, L.P. (the "Partnership") in the number specified above and having the rights specified herein and in the Supplement to the Amended and Restated Agreement of Limited Partnership of the Partnership (the "Partnership Agreement") Establishing 2006 LTIP Units of Limited Partnership Interest (the "Partnership Agreement Supplement").

NOW, THEREFORE, the Company hereby grants to the Grantee, effective as of the Date of Grant specified above, the number of LTIP OP Units listed above subject to the terms and conditions of this Agreement.

1. Restrictions and Conditions:

(a) The records of the Partnership evidencing the LTIP OP Units granted herein shall bear an appropriate legend, as determined by the Partnership in its sole discretion, to the effect that such LTIP OP Units are subject to restrictions as set forth herein, in the Partnership Agreement Supplement and in the Partnership Agreement.

(b) None of the LTIP OP Units awarded to the Grantee hereunder shall be sold, assigned, transferred, pledged, hypothecated, given away or in any other manner disposed of, encumbered, whether voluntarily or by operation of law, or redeemed in accordance with the Partnership Agreement or the Partnership Agreement Supplement (a) prior to vesting, (b) for a period of two (2) years beginning on the Date of Grant specified above other than in connection with a Change-in-Control, or (c) unless such transfer is in compliance with all applicable securities laws (including, without limitation, the Securities Act), and such disposition is in accordance with the applicable terms and conditions of the Partnership Agreement and the Partnership Agreement Supplement. In connection with any transfer of LTIP OP Units, the Company may require the transferor to provide at the Grantee's own expense an opinion of counsel to the transferor, satisfactory to the Company, that such transfer is in compliance with all foreign, federal and state securities laws (including, without limitation, the Securities Act). Any attempted disposition of LTIP OP Units not in accordance with the terms and conditions of this Section 1(b) shall be null and void, and the Partnership shall not reflect on its records any change in record ownership of any LTIP OP Units as a result of any such disposition, shall otherwise refuse to recognize any such disposition and shall not in any way give effect to any such disposition of any LTIP OP Units.

(c) Except as otherwise provided in Section 2 hereof or elsewhere herein, if the Grantee's employment with the Company or its Affiliates is voluntarily or involuntarily terminated for any reason prior to vesting of the LTIP OP Units granted herein, the Grantee shall forfeit all LTIP OP Units that are not vested as of the date of such termination of employment.

2. Vesting of the LTIP OP Units: The LTIP OP Units generally will become vested as follows:

(a) 50.0% of the LTIP OP Units will become cumulatively vested on December 31, 2007 and December 31, 2008 (each, an "Annual Vesting Date"); in each case provided that the Grantee remains in continuous employment with the Company or any of its Affiliates until such date; and provided, further, that any LTIP OP Units which otherwise would become vested on such Annual Vesting Date will not become so vested unless the Company has achieved, during the calendar year completed on December 31, 2006, (i) a total return to shareholders (including all Common Stock dividends and stock appreciation) based on the respective Initial Base Price that either (x) is at or above the 50th percentile of the total return to shareholders achieved by members of the Peer Group during the same period, or (y) subject to the provisions of Section 2(e), equals a total return of at least 9% per annum or (ii) a per share increase in annual Funds from Operations of 5% or more. If the vesting performance requirement is not satisfied for the calendar year ending December 31, 2006, the LTIP OP Units will not be forfeited and will become vested on December 31, 2007, or if the performance requirement is not satisfied at such date the LTIP OP Units will not be forfeited and will become vested on December 31, 2008, if on either of such dates the vesting performance requirement is satisfied on a cumulative and compounded basis as measured for an extended performance period beginning with the annual period for which the vesting performance requirement was not satisfied through the relevant date. For purposes of this Section, (i) the performance of the Company relative to the performance of members of the Peer Group will be determined using the VWAP for the last ten trading days of the Company's Common Stock and the common stock of the members of the Peer Group at the applicable calendar year end, and (ii) the per annum percentage performance of the Company will be determined using the VWAP for the last ten trading days for the period ending at the applicable calendar year end. If the vesting performance requirement is not satisfied at December 31, 2008, subject to Section 2(d), the LTIP OP Units will be forfeited.

(b) Notwithstanding the foregoing, if a Change-in-Control occurs prior to December 31, 2008 and the Grantee remains in continuous employment with the Company or any of its Affiliates until such occurrence, all non-vested LTIP OP Units will thereupon become fully vested provided that, if a Change-in-Control shall occur and (i) (a) the Company continues in existence as a public company or (b) another company is the successor to the Company in a transaction whereby holders of Common Stock receive common stock of the successor company (or a combination of common stock and cash) and such successor company expressly assumes the obligations of the Company as the general partner of the Partnership, and (ii) (a) the Partnership continues in existence as the operating partnership of the Company (in the event described in clause (i)(a) above) or (b) another limited partnership, limited liability company or similar entity is the successor to the Partnership in a transaction whereby holders of OPU and LTIP OP Units receive equity interests in such successor entity having substantially identical rights, voting powers, restrictions, limitations as to distributions, qualifications and terms and conditions of redemption as the OPU and LTIP OP Units, respectively, and expressly assumes the obligations under this Agreement, and (iii) the Grantee continues employment with the Company or such successor company or their Affiliates, as the case may be, then no vesting shall occur under this Section 2(b) as a result of such Change-in-Control, but this Agreement and the awards hereunder shall continue in effect on the terms hereof, subject to the adjustment of the Initial Base Price as may be appropriate pursuant to Section 4 hereof.

(c) Notwithstanding the foregoing, if the Grantee's employment with the Company and all Affiliates is terminated prior to December 31, 2008 by reason of the Grantee's death or Disability, by the Grantee for Good Reason or in the event a Force Out occurs subsequent to a Change-in-Control, or by the Company or any Affiliate for any reason other than Cause or transfer to another Affiliate, all non-vested LTIP OP Units will thereupon become fully vested. If the Grantee's employment with the Company and all Affiliates is terminated prior to December 31, 2008 for any other reason, any LTIP OP Units that have not yet become vested will thereupon be forfeited.

(d) Notwithstanding the foregoing, if the Grantee remains in continuous employment with the Company or any of its Affiliates until an applicable Annual Vesting Date but the vesting performance requirement is not satisfied at such date (or any extended performance period as contemplated in Section 2(b) above), and if the Committee determines that it nevertheless would be consistent with the spirit and intent of this Agreement to vest some or all of the LTIP OP Units that otherwise would have become vested on that Annual Vesting Date, then the Committee, in its sole and absolute discretion, may elect to vest some or all of such LTIP OP Units.

(e) Notwithstanding the foregoing, in the event that (i) the LTIP OP Units would become vested as a result of the Company achieving a total return of at least 9% per annum in accordance with the terms of Section 2(a), (ii) the appreciation in the share price of the Common Stock alone has not resulted in the Company achieving such a 9% per annum total return (i.e., without taking into account any dividends paid to holders of Common Stock), and (iii) the Company's Dividend Payout Ratio with regard to its Cash Available for Distribution exceeds 100% for any relevant annual period or periods, the Committee may, in its sole discretion, review whether it is appropriate for the LTIP OP Units to vest for such period or periods, and may determine that the LTIP OP Units shall not vest, in whole or in part, based upon such facts as it deems appropriate including, but not limited to, the effect on the Dividend Payout Ratio of rent concessions, tenant improvements, capital expenditures by the Company and similar matters that represent uses of operating cash flow for the purpose of generating incremental cash flow or other returns for the Company.

3. Distributions. Distributions on the LTIP OP Units shall be paid currently to the Grantee in accordance with the terms of the Partnership Agreement.

4. Adjustment. The Committee will make or provide for such adjustments in the number of LTIP OP Units and the vesting performance requirements applicable to LTIP OP Units, as the Committee may in good faith determine to be equitably required in order to prevent any dilution or expansion of the rights of the Grantee that otherwise would result from (i) any stock dividend, stock split, combination of shares, recapitalization or similar change in the capital structure of the Company or similar events with respect to the partnership interests in the Partnership or (ii) any merger, consolidation, spin-off, spin-out, split-off, split-up, reorganization, partial or complete liquidation or other distribution of assets, issuance of warrants or other rights to purchase securities or any other transaction or event having an effect similar to any of the foregoing.

5. Compliance With Law. The Partnership and the Grantee will make reasonable efforts to comply with all applicable securities laws. In addition, notwithstanding any provision of this Agreement to the contrary, no LTIP OP Units will become vested or be paid at a time that such vesting or payment would result in a violation of any such law.

6. Investment Representation; Registration.

(a) The Grantee hereby makes the covenants, representations and warranties set forth on EXHIBIT B attached hereto. All of such covenants, warranties and representations shall survive the execution and delivery of this Agreement by the Grantee. The Grantee shall immediately notify the Partnership upon discovering that any of the representations or warranties set forth on EXHIBIT B were false when made or have, as a result of changes in circumstances, become false.

(b) The Partnership may make a notation in its records and/or affix a legend to the certificates (if any) representing the LTIP OP Units issued pursuant to this Agreement to the effect that such units have not been registered under the Securities Act and may only be sold or transferred upon registration or pursuant to an exemption therefrom.

(c) The Partnership will have no obligation to register under the Securities Act any LTIP OP Units.

7. Severability. In the event that one or more of the provisions of this Agreement may be invalidated for any reason by a court, any provision so invalidated will be deemed to be separable from the other provisions hereof, and the remaining provisions hereof will continue to be valid and fully enforceable.

8. Governing Law. This Agreement is made under, and will be construed in accordance with, the laws of the State of New York, without giving effect to the principles of conflicts of laws of such State.

9. Transferability. This Agreement is personal to the Grantee, is non-assignable and is not transferable in any manner, by operation of law or otherwise, other than by will or the laws of descent and distribution.

10. Amendment. The Grantee acknowledges that this Agreement may be amended or canceled by the Partnership for the purpose of satisfying changes in law or for any other lawful purpose, provided that no such action shall adversely affect the Grantee's rights under this Agreement without the Grantee's written consent.

11. No Obligation to Continue Employment. Neither the Company nor any Affiliate is obligated by or as a result of this Agreement to continue the Grantee in employment and this Agreement shall not interfere in any way with the right of the Company or any Affiliate to terminate the employment of the Grantee at any time.

12. Notices. Notices hereunder shall be mailed or delivered to the Partnership at its principal place of business and shall be mailed or delivered to the Grantee at the address on file with the Partnership or, in either case, at such other address as one party may subsequently furnish to the other party in writing.

13. Withholding and Taxes. No later than the date as of which an amount first becomes includible in the gross income of the Grantee for income tax purposes or subject to Federal Insurance Contributions Act withholding with respect to any award under this Agreement, such Grantee will pay to the Company or, if appropriate, any of its Affiliates, or make arrangements satisfactory to the Company regarding the payment of, any United States federal, state or local or foreign taxes of any kind required by law to be withheld with respect to such amount. The obligations of the Company under this Agreement will be conditional on such payment or arrangements, and the Company and its Affiliates shall, to the extent permitted by law, have the right to deduct any such taxes from any payment otherwise due to the Grantee.

14. Successors and Assigns. This Agreement shall be binding upon the Partnership's successors and assigns, whether or not this Agreement is expressly assumed.

15. Certain Definitions.

(a) "Affiliate" means any person or entity that, at the time of reference, is controlled by, controlling of or under common control with the Company.

(b) "Cash Available for Distribution" means the Company's cash available for distribution to holders of the Company's Common Stock on an "as committed" basis as announced by the Company for the relevant period.

(c) "Cause" means a finding by the Company's Board of Directors that the Grantee has (i) acted with gross negligence or willful misconduct in connection with the performance of his material duties to the Company or any Affiliate; (ii) defaulted in the performance of his material duties to the Company or any Affiliate and has not corrected such action within 15 days of receipt of written notice thereof; (iii) willfully acted against the best interests of the Company or any Affiliate, which act has had a material and adverse impact on the financial affairs of the Company or such Affiliate; or (iv) been convicted of a felony or committed a material act of common law fraud against the Company, any Affiliate or any of their employees and such act or conviction has had, or the Company's Board of Directors reasonably determines will have, a material adverse effect on the interests of the Company or such Affiliate; provided, however, that a finding of Cause will not become effective unless and until the Board of Directors provides the Grantee notice that it is considering making such finding and a reasonable opportunity to be heard by the Board of Directors.

(d) A "Change-in-Control" will be deemed to have occurred if following the Date of Grant:

(i) any Person, together with all "affiliates" and "associates" (as such terms are defined in Rule 12b-2 under the Securities Exchange Act of 1934 (the "Exchange Act")) of such Person, shall become the "beneficial owner" (as such term is defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of securities of the Company representing 30% or more of (A) the combined voting power of the Company's then outstanding securities having the right to vote in an election of the Company's Board of Directors ("Voting Securities"), (B) the combined voting power of the Company's then outstanding Voting Securities and any securities convertible into Voting Securities, or (C) the then outstanding shares of all classes of stock of the Company; or

(ii) individuals who, as of the effective date of this Agreement, constitute the Company's Board of Directors (the "Incumbent Directors") cease for any reason, including, without limitation, as a result of a tender offer, proxy contest, merger or similar transaction, to constitute at least a majority of the Company's Board of Directors, provided that any person becoming a director of the Company subsequent to the effective date of this Agreement whose election or nomination for election was approved by a vote of at least a majority of the Incumbent Directors (other than an election or nomination of an individual whose initial assumption of office is in connection with an actual or threatened election contest relating to the election of the directors of the Company, as such terms are used in Rule 14a-11 of Regulation 14A under the Exchange Act) shall, for purposes of this Agreement, be considered an Incumbent Director; or

(iii) consummation of (1) any consolidation or merger of the Company or any subsidiary where the stockholders of the Company, immediately prior to the consolidation or merger, would not, immediately after the consolidation or merger, beneficially own (as such term is defined in Rule 13d-3 under the Exchange Act), directly or indirectly, but based solely on their prior ownership of shares of the Company, shares representing in the aggregate more than 60% of the voting shares of the corporation issuing cash or securities in the consolidation or merger (or of its ultimate parent corporation, if any), or (2) any sale, lease, exchange or other transfer (in one transaction or a series of transactions contemplated or arranged by any party as a single plan) of all or substantially all of the assets of the Company; or

(iv) stockholder approval of any plan or proposal for the liquidation or dissolution of the Company.

Notwithstanding the foregoing, a "Change-in-Control" shall not be deemed to have occurred for purposes of the foregoing clause (i) (A) solely as the result of an acquisition of securities by the Company which, by reducing the number of shares of stock or other Voting Securities outstanding, increases (x) the proportionate number of shares of stock of the Company beneficially owned by any Person to 30% or more of the shares of stock then outstanding or (y) the proportionate voting power represented by the Voting Securities beneficially owned by any Person to 30% or more of the combined voting power of all then outstanding Voting Securities; provided, however, that if any Person referred to in clause (x) or (y) of this sentence shall thereafter become the beneficial owner of any additional stock of the Company or other Voting Securities (other than pursuant to a share split, stock dividend, or similar transaction), then a "Change-in-Control" shall be deemed to have occurred for purposes of the foregoing clause (i), and (B) solely as a result of the direct or indirect acquisition of beneficial ownership of Voting Securities by any executive officers of the Company on the date hereof and/or the Company, any of its subsidiaries, or any trustee, fiduciary or other person or entity holding securities under any employee benefit plan of the Company or any of its subsidiaries if the Grantee is one of the executive officers participating in such acquisition.

(e) "Common Stock" means the shares of common stock, par value $0.01 per share, of the Company.

(f) "Disability" means that the Grantee has been unable to efficiently perform his duties to the Company and all Affiliates because of any physical or mental injury or illness until the earlier of such time when (i) the period of injury or illness (whether or not the same injury or illness) exceeds 180 consecutive days or (ii) the Grantee becomes eligible to receive benefits under a comprehensive disability insurance policy maintained or sponsored by the Company.

(g) "Dividend Payout Ratio" means the quotient, expressed as a percentage, derived by dividing the aggregate dividends paid on shares of the Company's Common Stock during a relevant period by the Cash Available for Distribution for such period.

(h) "Employment Agreement" means the Amendment and Restatement of Employment and Noncompetition Agreement, dated as of August 15, 2000, between the Grantee and the Company as may be amended or restated from time to time, or any agreement entered into by the Company and the Grantee after the date hereof with respect to the Grantee's employment by the Company.

(i) "Force Out" means

(i) a change in duties, responsibilities, status or positions with the Company or successor company, which, in the Grantee's reasonable judgment, does not represent a promotion from or maintaining of the Grantee's duties, responsibilities, status or positions as in effect immediately prior to the Change-in-Control, or any removal of the Grantee from or any failure to reappoint or reelect the Grantee to such positions, except in connection with the termination of the Grantee's employment for Cause, Disability, retirement or death;

(ii) a reduction by the Company or such successor company in the Grantee's base salary as in effect immediately prior to the Change-in-Control;

(iii) the failure by the Company or such successor company to provide and credit the Grantee with the number of paid vacation days to which the Grantee is then entitled in accordance with the Company or such successor company's normal vacation policies as in effect immediately prior to the Change-in-Control;

(iv) the Company or such successor company requiring the Grantee to be based in an office located beyond a reasonable commuting distance from the Grantee's residence immediately prior to the Change-in-Control, except for required travel relating to the Company or such successor company's business to an extent substantially consistent with the business travel obligations which the Grantee undertook on behalf of the Company or such successor company prior to the Change-in-Control;

(v) the failure by the Company or such successor company to obtain from any successor to the Company or such successor company an agreement to be bound by this Agreement and the Employment Agreement;

(vi) any refusal by the Company or such successor company to continue to allow the Grantee to attend to matters or engage in activities not directly related to the business of the Company or such successor company which, prior to the Change in-Control, the Grantee was permitted by the Company or such successor company's Boards of Directors to attend to or engage in; or

(vii) the failure by the Company or such successor company to continue in effect any of the benefit plans, programs or arrangements in which the Grantee is participating at the time of the Change-in-Control of the Company or such successor company (unless the Grantee is permitted to participate in any substitute benefit plan, program or arrangement with substantially the same terms and to the same extent and with the same rights as the Grantee had with respect to the benefit plan, program or arrangement that is discontinued) other than as a result of the normal expiration of any such benefit plan, program or arrangement in accordance with its terms as in effect at the time of the Change-in-Control, or the taking of any action, or the failure to act, by the Company or such successor company which would adversely affect the Grantee's continued participation in any of such benefit plans, programs or arrangements on at least as favorable a basis to the Grantee as is the case on the date of the Change-in-Control or which would materially reduce the Grantee's benefits in the future under any of such benefit plans, programs or arrangements or deprive the Grantee of any material benefits enjoyed by the Grantee at the time of the Change-in-Control.

(j) "Funds from Operations" means the Company's funds from operations as defined by the National Association of Real Estate Investment Trusts and as may be adjusted by the Company.

(k) "Good Reason" means the occurrence of any of the following events or conditions, which event or condition is not corrected by the Company within 30 days of written notice from the Grantee: (i) any failure of the Board of Directors of the Company to elect the Grantee to offices with the same or substantially the same duties and responsibilities as in effect on the Date of Grant, (ii) any material failure by the Company or any Affiliate to timely pay or provide to the Grantee any compensation or benefits required to be paid or provided under the terms of any employment or similar agreement in effect during the term of this Agreement between the Grantee and the Company or such Affiliate, (iii) any material breach by the Company or any Affiliate of any other provision of any employment or similar agreement in effect during the term of this Agreement between the Grantee and the Company or such Affiliate, and (iv) any failure by the Company or any Affiliate to timely offer to renew (and to hold such offer to renew open for acceptance for a reasonable period of time) on substantially identical terms until at least the fourth anniversary of the Date of Grant any employment agreement in effect on the Date of Grant between the Grantee and the Company or such Affiliate.

(l) "Initial Base Price" means $35.98 per share of the Common Stock of the Company.

(m) An "OPU" means a Class A common operating partnership unit of the Partnership.

(n) "Peer Group" means the business entities set forth on EXHIBIT A to this Agreement, and any successors to the businesses or assets of such entities as determined by the Committee in its sole and absolute discretion. If an entity listed on such Exhibit ceases to exist during the term of this Agreement and the Committee determines that there is no successor to the business or assets of such entity, then such entity will cease to be treated as a member of the Peer Group to the extent and for the periods determined by the Committee in its sole and absolute discretion.

(o) "Person" has the meaning used in Sections 13(d) and 14(d) of the Exchange Act.

(p) "Securities Act" means the Securities Act of 1933.

(q) "VWAP" means the volume weighted average closing price per share of a security on the primary exchange or other quotation system on which the security is traded.

[signature page follows]

IN WITNESS WHEREOF, the undersigned have caused this Agreement to be executed as of the 4th day of April, 2006.

RECKSON ASSOCIATES REALTY CORP.

By: /s/ Jason M. Barnett

Name: Jason M. Barnett
Title: Senior Executive Vice President--Corporate Initiatives and General Counsel

RECKSON OPERATING PARTNERSHIP, L.P.

By: /s/ Jason M. Barnett

Name: Jason M. Barnett
Title: Senior Executive Vice President--Corporate Initiatives and General Counsel

/s/ Scott H. Rechler

Scott H. Rechler

Exhibit A - Peer Group Companies

American Financial Realty Trust
Arden Realty Group, Inc.
Boston Properties, Inc.
Brandywine Realty Trust
CarrAmerica Realty Corporation
Crescent Real Estate Equities, Inc.
Equity Office Properties Trust
Mack-Cali Realty Corporation
Maguire Properties Inc.
Prentiss Properties Trust
SL Green Realty Corporation
Trizec Properties Inc.
Vornado Realty Trust

GRANTEE'S COVENANTS, REPRESENTATIONS AND WARRANTIES

The Grantee hereby represents, warrants and covenants as follows:

(a) The Grantee is an individual with income (without including any income of the Grantee's spouse) in excess of $200,000, or joint income with the Grantee's spouse, in excess of $300,000, in each of the two most recent years, and the Grantee reasonably expects to reach the same income level in the current year.

(b) The Grantee has received and had an opportunity to review the following documents (the "Background Documents"):

(i) The Company's latest Annual Report to Stockholders;

(ii) The Company's Proxy Statement for its most recent Annual Meeting of Stockholders;

(iii) The Company's Report on Form 10-K for the fiscal year most recently ended;

(iv) The Company's Form 10-Q for the most recently ended quarter if one has been filed by the Company with the Securities and Exchange Commission since the filing of the report described in clause (iii) above;

(v) Each of the Company's Current Report(s) on Form 8-K, if any, filed since the end of the fiscal year most recently ended;

(vi) The Partnership Agreement; and

(vii) The Company's Amended and Restated Certificate of Incorporation.

The Grantee also acknowledges that any delivery of the Background Documents and other information relating to the Company and the Partnership prior to the determination by the Partnership of the suitability of the Grantee as an LTIP OP Unitholder shall not constitute an offer of LTIP OP Units until such determination of suitability shall be made.

(c) The Grantee hereby represents and warrants that

(i) The Grantee either (i) is an "accredited investor" as defined in Rule 501(a) under the Securities Act of 1933, as amended (the "Securities Act"), or (ii) by reason of his or her business and financial experience, together with the business and financial experience of those persons, if any, retained by the Grantee to represent or advise him or her with respect to the grant to him or her of LTIP OP Units, has such knowledge, sophistication and experience in financial and business matters and in making investment decisions of this type that he or she (A) is capable of evaluating the merits and risks of an investment in the Partnership and of making an informed investment decision, (B) is capable of protecting his or her own interest or has engaged representatives or advisors to assist him or her in protecting his or her interests, and (C) is capable of bearing the economic risk of such investment.

(ii) The Grantee understands that (A) the award of LTIP OP Units involves risks different from, and in certain circumstances substantially greater than those involved in an award of a comparable number of shares of restricted common stock of the Company; (B) the Grantee is responsible for consulting his or her own tax advisors with respect to the application of the U.S. federal income tax laws, and the tax laws of any state, local or other taxing jurisdiction to which the Grantee is or by reason of the award of LTIP OP Units may become subject, to his or her particular situation; (C) the Grantee has not received or relied upon business or tax advice from the Company, the Partnership or any of their respective employees, agents, consultants or advisors; (D) the Grantee provides services to the Partnership on a regular basis and in such capacity has access to such information, and has such experience of and involvement in the business and operations of the Partnership, as the Grantee believes to be necessary and appropriate to make an informed decision to accept this Award of LTIP OP Units; and (E) an investment in the Partnership involves substantial risks. The Grantee has been given the opportunity to make a thorough investigation of matters relevant to the LTIP OP Units and has been furnished with, and has reviewed and understands, materials relating to the Partnership and its activities (including, but not limited to, the Background Documents). The Grantee has been afforded the opportunity to obtain any additional information (including any exhibits to the Background Documents) deemed necessary by the Grantee to verify the accuracy of information conveyed to the Grantee. The Grantee confirms that all documents, records, and books pertaining to his or her receipt of LTIP OP Units which were requested by the Grantee have been made available or delivered to the Grantee. The Grantee has had an opportunity to ask questions of and receive answers from the Partnership and the Company, or from a person or persons acting on their behalf, concerning the terms and conditions of the LTIP OP Units. THE GRANTEE HAS RELIED UPON, AND IS MAKING ITS DECISION SOLELY UPON, THE BACKGROUND DOCUMENTS AND OTHER WRITTEN INFORMATION PROVIDED TO THE GRANTEE BY THE PARTNERSHIP OR THE COMPANY. The Grantee did not receive any tax, legal or financial advice from the Partnership or the Company and, to the extent it deemed necessary, has consulted with its own advisors in connection with its evaluation of the Background Documents and this Agreement and the Grantee's receipt of LTIP OP Units.

(iii) The LTIP OP Units to be issued will be acquired for the account of the Grantee for investment only and not with a current view to, or with any intention of, a distribution or resale thereof, in whole or in part, or the grant of any participation therein, without prejudice, however, to the Grantee's right (subject to the terms of the LTIP OP Units and this Agreement) at all times to sell or otherwise dispose of all or any part of his or her LTIP OP Units in compliance with the Securities Act, and applicable state securities laws, and subject, nevertheless, to the disposition of his or her assets being at all times within his or her control.

(iv) The Grantee acknowledges that (A) the LTIP OP Units to be issued have not been registered under the Securities Act or state securities laws by reason of a specific exemption or exemptions from registration under the Securities Act and applicable state securities laws and, if such LTIP OP Units are represented by certificates, such certificates will bear a legend to such effect, (B) the reliance by the Partnership on such exemptions is predicated in part on the accuracy and completeness of the representations and warranties of the Grantee contained herein, (C) such LTIP OP Units, therefore, cannot be resold unless registered under the Securities Act and applicable state securities laws, or unless an exemption from registration is available, (D) there is no public market for such LTIP OP Units and (E) the Partnership has no obligation or intention to register such LTIP OP Units under the Securities Act or any state securities laws or to take any action that would make available any exemption from the registration requirements of such laws. The Grantee hereby acknowledges that because of the restrictions on transfer or assignment of such LTIP OP Units acquired hereby that are set forth in the Partnership Agreement or this Agreement, the Grantee may have to bear the economic risk of his or her ownership of the LTIP OP Units acquired hereby for an indefinite period of time.

(v) The Grantee has determined that the LTIP OP Units are a suitable investment for the Grantee.

(vi) No representations or warranties have been made to the Grantee by the Partnership or the Company, or any officer, director, shareholder, agent, or affiliate of any of them, and the Grantee has received no information relating to an investment in the Partnership or the LTIP OP Units except the information specified in Paragraph (b) above.

(d) So long as the Grantee holds any LTIP OP Units, the Grantee shall disclose to the Partnership in writing such information as may be reasonably requested with respect to ownership of LTIP OP Units as the Partnership may deem reasonably necessary to ascertain and to establish compliance with provisions of the Internal Revenue Code of 1986, as amended (the "Code"), applicable to the Partnership or to comply with requirements of any other appropriate taxing authority.

(e) The address set forth on the signature page of this Agreement is the address of the Grantee's principal residence, and the Grantee has no present intention of becoming a resident of any country, state or jurisdiction other than the country and state in which such residence is sited.

(f) The representations of the Grantee as set forth above are true and complete to the best of the information and belief of the Grantee, and the Partnership shall be notified promptly of any changes in the foregoing representations.

Exhibit 10.2

RECKSON ASSOCIATES REALTY CORP.
LONG-TERM INCENTIVE PLAN
OP UNIT AWARD AGREEMENT

Name of Grantee: Salvatore Campofranco ("Grantee")
No. of LTIP OP Units: 10,000
Date of Grant: April 4, 2006

RECITALS

A. The Grantee is an officer of Reckson Associates Realty Corp. (the "Company") or one of its Affiliates.

B. The Grantee was selected by the Compensation Committee of the Board of Directors of the Company (the "Committee") to receive an award of Long-Term Incentive Plan OP Units ("LTIP OP Units") in Reckson Operating Partnership, L.P. (the "Partnership") in the number specified above and having the rights specified herein and in the Supplement to the Amended and Restated Agreement of Limited Partnership of the Partnership (the "Partnership Agreement") Establishing 2006 LTIP Units of Limited Partnership Interest (the "Partnership Agreement Supplement").

NOW, THEREFORE, the Company hereby grants to the Grantee, effective as of the Date of Grant specified above, the number of LTIP OP Units listed above subject to the terms and conditions of this Agreement.

1. Restrictions and Conditions:

(a) The records of the Partnership evidencing the LTIP OP Units granted herein shall bear an appropriate legend, as determined by the Partnership in its sole discretion, to the effect that such LTIP OP Units are subject to restrictions as set forth herein, in the Partnership Agreement Supplement and in the Partnership Agreement.

(b) None of the LTIP OP Units awarded to the Grantee hereunder shall be sold, assigned, transferred, pledged, hypothecated, given away or in any other manner disposed of, encumbered, whether voluntarily or by operation of law, or redeemed in accordance with the Partnership Agreement or the Partnership Agreement Supplement (a) prior to vesting, (b) for a period of two (2) years beginning on the Date of Grant specified above other than in connection with a Change-in-Control, or (c) unless such transfer is in compliance with all applicable securities laws (including, without limitation, the Securities Act), and such disposition is in accordance with the applicable terms and conditions of the Partnership Agreement and the Partnership Agreement Supplement. In connection with any transfer of LTIP OP Units, the Company may require the transferor to provide at the Grantee's own expense an opinion of counsel to the transferor, satisfactory to the Company, that such transfer is in compliance with all foreign, federal and state securities laws (including, without limitation, the Securities Act). Any attempted disposition of LTIP OP Units not in accordance with the terms and conditions of this Section 1(b) shall be null and void, and the Partnership shall not reflect on its records any change in record ownership of any LTIP OP Units as a result of any such disposition, shall otherwise refuse to recognize any such disposition and shall not in any way give effect to any such disposition of any LTIP OP Units.

(c) Except as otherwise provided in Section 2 hereof or elsewhere herein, if the Grantee's employment with the Company or its Affiliates is voluntarily or involuntarily terminated for any reason prior to vesting of the LTIP OP Units granted herein, the Grantee shall forfeit all LTIP OP Units that are not vested as of the date of such termination of employment.

2. Vesting of the LTIP OP Units: The LTIP OP Units generally will become vested as follows:

(a) 50.0% of the LTIP OP Units will become cumulatively vested on December 31, 2007 and December 31, 2008 (each, an "Annual Vesting Date"); in each case provided that the Grantee remains in continuous employment with the Company or any of its Affiliates until such date; and provided, further, that any LTIP OP Units which otherwise would become vested on such Annual Vesting Date will not become so vested unless the Company has achieved, during the calendar year completed on December 31, 2006, (i) a total return to shareholders (including all Common Stock dividends and stock appreciation) based on the respective Initial Base Price that either (x) is at or above the 50th percentile of the total return to shareholders achieved by members of the Peer Group during the same period, or (y) subject to the provisions of Section 2(e), equals a total return of at least 9% per annum or (ii) a per share increase in annual Funds from Operations of 5% or more. If the vesting performance requirement is not satisfied for the calendar year ending December 31, 2006, the LTIP OP Units will not be forfeited and will become vested on December 31, 2007, or if the performance requirement is not satisfied at such date the LTIP OP Units will not be forfeited and will become vested on December 31, 2008, if on either of such dates the vesting performance requirement is satisfied on a cumulative and compounded basis as measured for an extended performance period beginning with the annual period for which the vesting performance requirement was not satisfied through the relevant date. For purposes of this Section, (i) the performance of the Company relative to the performance of members of the Peer Group will be determined using the VWAP for the last ten trading days of the Company's Common Stock and the common stock of the members of the Peer Group at the applicable calendar year end, and (ii) the per annum percentage performance of the Company will be determined using the VWAP for the last ten trading days for the period ending at the applicable calendar year end. If the vesting performance requirement is not satisfied at December 31, 2008, subject to Section 2(d), the LTIP OP Units will be forfeited.

(b) Notwithstanding the foregoing, if a Change-in-Control occurs prior to December 31, 2008 and the Grantee remains in continuous employment with the Company or any of its Affiliates until such occurrence, the portion of the LTIP OP Units that otherwise would have become vested upon the next following vesting date will become vested at the time of the Change-in-Control, provided however, such LTIP OP Units shall vest only if the performance requirements set forth in Section 2(a)(i) above have been satisfied in accordance with their terms. Notwithstanding the foregoing, if a Change-in-Control shall occur and (i) (a) the Company continues in existence as a public company or (b) another company is the successor to the Company in a transaction whereby holders of Common Stock receive common stock of the successor company (or a combination of common stock and cash) and such successor company expressly assumes the obligations of the Company as the general partner of the Partnership, and (ii) (a) the Partnership continues in existence as the operating partnership of the Company (in the event described in clause (i)(a) above) or (b) another limited partnership, limited liability company or similar entity is the successor to the Partnership in a transaction whereby holders of OPU and LTIP OP Units receive equity interests in such successor entity having substantially identical rights, voting powers, restrictions, limitations as to distributions, qualifications and terms and conditions of redemption as the OPU and LTIP OP Units, respectively, and expressly assumes the obligations under this Agreement, and (iii) the Grantee is offered continued employment by the Company or such successor company or their Affiliates, as the case may be, then no vesting shall occur under this Section 2(b) as a result of such Change-in-Control, but this Agreement and the awards hereunder shall continue in effect on the terms hereof, subject to the adjustment of the Initial Base Price as may be appropriate pursuant to Section 4 hereof.

(c) Notwithstanding the foregoing, if the Grantee's employment with the Company and all Affiliates is terminated prior to December 31, 2008 by reason of the Grantee's death or Disability, by the Grantee prior to the date which is one year from a Change-in-Control by reason of a Force Out or by the Company or any Affiliate for any reason other than Cause or transfer to another Affiliate, all non-vested LTIP OP Units will thereupon become fully vested. If the Grantee's employment with the Company and all Affiliates is terminated prior to December 31, 2008 for any other reason, any LTIP OP Units that have not yet become vested will thereupon be forfeited.

(d) Notwithstanding the foregoing, if the Grantee remains in continuous employment with the Company or any of its Affiliates until an applicable Annual Vesting Date but the vesting performance requirement is not satisfied at such date (or any extended performance period as contemplated in Section 2(b) above), and if the Committee determines that it nevertheless would be consistent with the spirit and intent of this Agreement to vest some or all of the LTIP OP Units that otherwise would have become vested on that Annual Vesting Date, then the Committee, in its sole and absolute discretion, may elect to vest some or all of such LTIP OP Units.

(e) Notwithstanding the foregoing, in the event that (i) the LTIP OP Units would become vested as a result of the Company achieving a total return of at least 9% per annum in accordance with the terms of Section 2(a), (ii) the appreciation in the share price of the Common Stock alone has not resulted in the Company achieving such a 9% per annum total return (i.e., without taking into account any dividends paid to holders of Common Stock), and (iii) the Company's Dividend Payout Ratio with regard to its Cash Available for Distribution exceeds 100% for any relevant annual period or periods, the Committee may, in its sole discretion, review whether it is appropriate for the LTIP OP Units to vest for such period or periods, and may determine that the LTIP OP Units shall not vest, in whole or in part, based upon such facts as it deems appropriate including, but not limited to, the effect on the Dividend Payout Ratio of rent concessions, tenant improvements, capital expenditures by the Company and similar matters that represent uses of operating cash flow for the purpose of generating incremental cash flow or other returns for the Company.

3. Distributions. Distributions on the LTIP OP Units shall be paid currently to the Grantee in accordance with the terms of the Partnership Agreement.

4. Adjustment. The Committee will make or provide for such adjustments in the number of LTIP OP Units and the vesting performance requirements applicable to LTIP OP Units, as the Committee may in good faith determine to be equitably required in order to prevent any dilution or expansion of the rights of the Grantee that otherwise would result from (i) any stock dividend, stock split, combination of shares, recapitalization or similar change in the capital structure of the Company or similar events with respect to the partnership interests in the Partnership or (ii) any merger, consolidation, spin-off, spin-out, split-off, split-up, reorganization, partial or complete liquidation or other distribution of assets, issuance of warrants or other rights to purchase securities or any other transaction or event having an effect similar to any of the foregoing.

5. Compliance With Law. The Partnership and the Grantee will make reasonable efforts to comply with all applicable securities laws. In addition, notwithstanding any provision of this Agreement to the contrary, no LTIP OP Units will become vested or be paid at a time that such vesting or payment would result in a violation of any such law.

6. Investment Representation; Registration.

(a) The Grantee hereby makes the covenants, representations and warranties set forth on EXHIBIT B attached hereto. All of such covenants, warranties and representations shall survive the execution and delivery of this Agreement by the Grantee. The Grantee shall immediately notify the Partnership upon discovering that any of the representations or warranties set forth on EXHIBIT B were false when made or have, as a result of changes in circumstances, become false.

(b) The Partnership may make a notation in its records and/or affix a legend to the certificates (if any) representing the LTIP OP Units issued pursuant to this Agreement to the effect that such units have not been registered under the Securities Act and may only be sold or transferred upon registration or pursuant to an exemption therefrom.

(c) The Partnership will have no obligation to register under the Securities Act any LTIP OP Units.

7. Severability. In the event that one or more of the provisions of this Agreement may be invalidated for any reason by a court, any provision so invalidated will be deemed to be separable from the other provisions hereof, and the remaining provisions hereof will continue to be valid and fully enforceable.

8. Governing Law. This Agreement is made under, and will be construed in accordance with, the laws of the State of New York, without giving effect to the principles of conflicts of laws of such State.

9. Transferability. This Agreement is personal to the Grantee, is non-assignable and is not transferable in any manner, by operation of law or otherwise, other than by will or the laws of descent and distribution.

10. Amendment. The Grantee acknowledges that this Agreement may be amended or canceled by the Partnership for the purpose of satisfying changes in law or for any other lawful purpose, provided that no such action shall adversely affect the Grantee's rights under this Agreement without the Grantee's written consent.

11. No Obligation to Continue Employment. Neither the Company nor any Affiliate is obligated by or as a result of this Agreement to continue the Grantee in employment and this Agreement shall not interfere in any way with the right of the Company or any Affiliate to terminate the employment of the Grantee at any time.

12. Notices. Notices hereunder shall be mailed or delivered to the Partnership at its principal place of business and shall be mailed or delivered to the Grantee at the address on file with the Partnership or, in either case, at such other address as one party may subsequently furnish to the other party in writing.

13. Withholding and Taxes. No later than the date as of which an amount first becomes includible in the gross income of the Grantee for income tax purposes or subject to Federal Insurance Contributions Act withholding with respect to any award under this Agreement, such Grantee will pay to the Company or, if appropriate, any of its Affiliates, or make arrangements satisfactory to the Company regarding the payment of, any United States federal, state or local or foreign taxes of any kind required by law to be withheld with respect to such amount. The obligations of the Company under this Agreement will be conditional on such payment or arrangements, and the Company and its Affiliates shall, to the extent permitted by law, have the right to deduct any such taxes from any payment otherwise due to the Grantee.

14. Successors and Assigns. This Agreement shall be binding upon the Partnership's successors and assigns, whether or not this Agreement is expressly assumed.

15. Certain Definitions.

(a) "Affiliate" means any person or entity that, at the time of reference, is controlled by, controlling of or under common control with the Company.

(b) "Cash Available for Distribution" means the Company's cash available for distribution to holders of the Company's Common Stock on an "as committed" basis as announced by the Company for the relevant period.

(c) "Cause" means a finding by the Company's Board of Directors that the Grantee has (i) acted with gross negligence or intentional misconduct in connection with the performance of his duties to the Company or any Affiliate; (ii) defaulted in the performance of his duties to the Company or any Affiliate and has not corrected such action within 15 days of receipt of written notice thereof; (iii) acted against the best interests of the Company or any Affiliate, which act has had an adverse impact on the financial affairs of the Company or such Affiliate; or (iv) been convicted of a felony or committed a material act of common law fraud against the Company, any Affiliate or any of their employees and such act or conviction has had, or the Company's Board of Directors reasonably determines will have, an adverse effect on the interests of the Company or such Affiliate; provided, however, that a finding of Cause will not become effective unless and until the Board of Directors provides the Grantee notice that it is considering making such finding and a reasonable opportunity to be heard by the Board of Directors.

(d) A "Change-in-Control" will be deemed to have occurred if following the Date of Grant:

(i) any Person, together with all "affiliates" and "associates" (as such terms are defined in Rule 12b-2 under the Securities Exchange Act of 1934 (the "Exchange Act")) of such Person, shall become the "beneficial owner" (as such term is defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of securities of the Company representing 30% or more of (A) the combined voting power of the Company's then outstanding securities having the right to vote in an election of the Company's Board of Directors ("Voting Securities"), (B) the combined voting power of the Company's then outstanding Voting Securities and any securities convertible into Voting Securities, or (C) the then outstanding shares of all classes of stock of the Company; or

(ii) individuals who, as of the effective date of this Agreement, constitute the Company's Board of Directors (the "Incumbent Directors") cease for any reason, including, without limitation, as a result of a tender offer, proxy contest, merger or similar transaction, to constitute at least a majority of the Company's Board of Directors, provided that any person becoming a director of the Company subsequent to the effective date of this Agreement whose election or nomination for election was approved by a vote of at least a majority of the Incumbent Directors (other than an election or nomination of an individual whose initial assumption of office is in connection with an actual or threatened election contest relating to the election of the directors of the Company, as such terms are used in Rule 14a-11 of Regulation 14A under the Exchange Act) shall, for purposes of this Agreement, be considered an Incumbent Director; or

(iii) consummation of (1) any consolidation or merger of the Company or any subsidiary where the stockholders of the Company, immediately prior to the consolidation or merger, would not, immediately after the consolidation or merger, beneficially own (as such term is defined in Rule 13d-3 under the Exchange Act), directly or indirectly, but based solely on their prior ownership of shares of the Company, shares representing in the aggregate more than 60% of the voting shares of the corporation issuing cash or securities in the consolidation or merger (or of its ultimate parent corporation, if any), or (2) any sale, lease, exchange or other transfer (in one transaction or a series of transactions contemplated or arranged by any party as a single plan) of all or substantially all of the assets of the Company; or

(iv) stockholder approval of any plan or proposal for the liquidation or dissolution of the Company.

Notwithstanding the foregoing, a "Change-in-Control" shall not be deemed to have occurred for purposes of the foregoing clause (i) (A) solely as the result of an acquisition of securities by the Company which, by reducing the number of shares of stock or other Voting Securities outstanding, increases (x) the proportionate number of shares of stock of the Company beneficially owned by any Person to 30% or more of the shares of stock then outstanding or (y) the proportionate voting power represented by the Voting Securities beneficially owned by any Person to 30% or more of the combined voting power of all then outstanding Voting Securities; provided, however, that if any Person referred to in clause (x) or (y) of this sentence shall thereafter become the beneficial owner of any additional stock of the Company or other Voting Securities (other than pursuant to a share split, stock dividend, or similar transaction), then a "Change-in-Control" shall be deemed to have occurred for purposes of the foregoing clause (i), and (B) solely as a result of the direct or indirect acquisition of beneficial ownership of Voting Securities by any executive officers of the Company on the date hereof and/or the Company, any of its subsidiaries, or any trustee, fiduciary or other person or entity holding securities under any employee benefit plan of the Company or any of its subsidiaries if the Grantee is one of the executive officers participating in such acquisition.

(e) "Common Stock" means the shares of common stock, par value $0.01 per share, of the Company.

(f) "Disability" means that the Grantee has been unable to efficiently perform his duties to the Company and all Affiliates because of any physical or mental injury or illness until the earlier of such time when (i) the period of injury or illness (whether or not the same injury or illness) exceeds 180 consecutive days or (ii) the Grantee becomes eligible to receive benefits under a comprehensive disability insurance policy maintained or sponsored by the Company.

(g) "Dividend Payout Ratio" means the quotient, expressed as a percentage, derived by dividing the aggregate dividends paid on shares of the Company's Common Stock during a relevant period by the Cash Available for Distribution for such period.

(h) "Force Out" means

(i) a change in duties, responsibilities, status or positions with the Company or successor company, which, in the Grantee's reasonable judgment, does not represent a promotion from or maintaining of the Grantee's duties, responsibilities, status or positions as in effect immediately prior to the Change-in-Control, or any removal of the Grantee from or any failure to reappoint or reelect the Grantee to such positions, except in connection with the termination of the Grantee's employment for Cause, Disability, retirement or death;

(ii) a reduction by the Company or such successor company in the Grantee's base salary as in effect immediately prior to the Change-in-Control;

(iii) the failure by the Company or such successor company to provide and credit the Grantee with the number of paid vacation days to which the Grantee is then entitled in accordance with the Company or such successor company's normal vacation policies as in effect immediately prior to the Change-in-Control;

(iv) the Company or such successor company requiring the Grantee to be based in an office located beyond a reasonable commuting distance from the Grantee's residence immediately prior to the Change-in-Control, except for required travel relating to the Company or such successor company's business to an extent substantially consistent with the business travel obligations which the Grantee undertook on behalf of the Company or such successor company prior to the Change-in-Control;

(v) the failure by the Company or such successor company to obtain from any successor to the Company or such successor company an agreement to be bound by this Agreement; or

(vi) the failure by the Company or such successor company to continue in effect any of the benefit plans, programs or arrangements in which the Grantee is participating at the time of the Change-in-Control of the Company or such successor company (unless the Grantee is permitted to participate in any substitute benefit plan, program or arrangement with substantially the same terms and to the same extent and with the same rights as the Grantee had with respect to the benefit plan, program or arrangement that is discontinued) other than as a result of the normal expiration of any such benefit plan, program or arrangement in accordance with its terms as in effect at the time of the Change-in-Control, or the taking of any action, or the failure to act, by the Company or such successor company which would adversely affect the Grantee's continued participation in any of such benefit plans, programs or arrangements on at least as favorable a basis to the Grantee as is the case on the date of the Change-in-Control or which would materially reduce the Grantee's benefits in the future under any of such benefit plans, programs or arrangements or deprive the Grantee of any material benefits enjoyed by the Grantee at the time of the Change-in-Control.

(i) "Funds from Operations" means the Company's funds from operations as defined by the National Association of Real Estate Investment Trusts and as may be adjusted by the Company.

(j) "Initial Base Price" means $35.98 per share of the Common Stock of the Company.

(k) An "OPU" means a Class A common operating partnership unit of the Partnership.

(l) "Peer Group" means the business entities set forth on EXHIBIT A to this Agreement, and any successors to the businesses or assets of such entities as determined by the Committee in its sole and absolute discretion. If an entity listed on such Exhibit ceases to exist during the term of this Agreement and the Committee determines that there is no successor to the business or assets of such entity, then such entity will cease to be treated as a member of the Peer Group to the extent and for the periods determined by the Committee in its sole and absolute discretion.

(m) "Person" has the meaning used in Sections 13(d) and 14(d) of the Exchange Act.

(n) "Securities Act" means the Securities Act of 1933.

(o) "VWAP" means the volume weighted average closing price per share of a security on the primary exchange or other quotation system on which the security is traded.

[signature page follows]

IN WITNESS WHEREOF, the undersigned have caused this Agreement to be executed as of the 4th day of April, 2006.

RECKSON ASSOCIATES REALTY CORP.

By: /s/ Scott H. Rechler

Name: Scott H. Rechler
Title: Chief Executive Officer

RECKSON OPERATING PARTNERSHIP, L.P.

By: /s/ Scott H. Rechler

Name: Scott H. Rechler
Title: Chief Executive Officer

/s/ Salvatore Campofranco

Salvatore Campofranco

Exhibit A - Peer Group Companies

American Financial Realty Trust
Arden Realty Group, Inc.
Boston Properties, Inc.
Brandywine Realty Trust
CarrAmerica Realty Corporation
Crescent Real Estate Equities, Inc.
Equity Office Properties Trust
Mack-Cali Realty Corporation
Maguire Properties Inc.
Prentiss Properties Trust
SL Green Realty Corporation
Trizec Properties Inc.
Vornado Realty Trust

GRANTEE'S COVENANTS, REPRESENTATIONS AND WARRANTIES

The Grantee hereby represents, warrants and covenants as follows:

(a) The Grantee is an individual with income (without including any income of the Grantee's spouse) in excess of $200,000, or joint income with the Grantee's spouse, in excess of $300,000, in each of the two most recent years, and the Grantee reasonably expects to reach the same income level in the current year.

(b) The Grantee has received and had an opportunity to review the following documents (the "Background Documents"):

(i) The Company's latest Annual Report to Stockholders;

(ii) The Company's Proxy Statement for its most recent Annual Meeting of Stockholders;

(iii) The Company's Report on Form 10-K for the fiscal year most recently ended;

(iv) The Company's Form 10-Q for the most recently ended quarter if one has been filed by the Company with the Securities and Exchange Commission since the filing of the report described in clause (iii) above;

(v) Each of the Company's Current Report(s) on Form 8-K, if any, filed since the end of the fiscal year most recently ended;

(vi) The Partnership Agreement; and

(vii) The Company's Amended and Restated Certificate of Incorporation.

The Grantee also acknowledges that any delivery of the Background Documents and other information relating to the Company and the Partnership prior to the determination by the Partnership of the suitability of the Grantee as an LTIP OP Unitholder shall not constitute an offer of LTIP OP Units until such determination of suitability shall be made.

(c) The Grantee hereby represents and warrants that

(i) The Grantee either (i) is an "accredited investor" as defined in Rule 501(a) under the Securities Act of 1933, as amended (the "Securities Act"), or (ii) by reason of his or her business and financial experience, together with the business and financial experience of those persons, if any, retained by the Grantee to represent or advise him or her with respect to the grant to him or her of LTIP OP Units, has such knowledge, sophistication and experience in financial and business matters and in making investment decisions of this type that he or she (A) is capable of evaluating the merits and risks of an investment in the Partnership and of making an informed investment decision, (B) is capable of protecting his or her own interest or has engaged representatives or advisors to assist him or her in protecting his or her interests, and (C) is capable of bearing the economic risk of such investment.

(ii) The Grantee understands that (A) the award of LTIP OP Units involves risks different from, and in certain circumstances substantially greater than those involved in an award of a comparable number of shares of restricted common stock of the Company; (B) the Grantee is responsible for consulting his or her own tax advisors with respect to the application of the U.S. federal income tax laws, and the tax laws of any state, local or other taxing jurisdiction to which the Grantee is or by reason of the award of LTIP OP Units may become subject, to his or her particular situation; (C) the Grantee has not received or relied upon business or tax advice from the Company, the Partnership or any of their respective employees, agents, consultants or advisors; (D) the Grantee provides services to the Partnership on a regular basis and in such capacity has access to such information, and has such experience of and involvement in the business and operations of the Partnership, as the Grantee believes to be necessary and appropriate to make an informed decision to accept this Award of LTIP OP Units; and (E) an investment in the Partnership involves substantial risks. The Grantee has been given the opportunity to make a thorough investigation of matters relevant to the LTIP OP Units and has been furnished with, and has reviewed and understands, materials relating to the Partnership and its activities (including, but not limited to, the Background Documents). The Grantee has been afforded the opportunity to obtain any additional information (including any exhibits to the Background Documents) deemed necessary by the Grantee to verify the accuracy of information conveyed to the Grantee. The Grantee confirms that all documents, records, and books pertaining to his or her receipt of LTIP OP Units which were requested by the Grantee have been made available or delivered to the Grantee. The Grantee has had an opportunity to ask questions of and receive answers from the Partnership and the Company, or from a person or persons acting on their behalf, concerning the terms and conditions of the LTIP OP Units. THE GRANTEE HAS RELIED UPON, AND IS MAKING ITS DECISION SOLELY UPON, THE BACKGROUND DOCUMENTS AND OTHER WRITTEN INFORMATION PROVIDED TO THE GRANTEE BY THE PARTNERSHIP OR THE COMPANY. The Grantee did not receive any tax, legal or financial advice from the Partnership or the Company and, to the extent it deemed necessary, has consulted with its own advisors in connection with its evaluation of the Background Documents and this Agreement and the Grantee's receipt of LTIP OP Units.

(iii) The LTIP OP Units to be issued will be acquired for the account of the Grantee for investment only and not with a current view to, or with any intention of, a distribution or resale thereof, in whole or in part, or the grant of any participation therein, without prejudice, however, to the Grantee's right (subject to the terms of the LTIP OP Units and this Agreement) at all times to sell or otherwise dispose of all or any part of his or her LTIP OP Units in compliance with the Securities Act, and applicable state securities laws, and subject, nevertheless, to the disposition of his or her assets being at all times within his or her control.

(iv) The Grantee acknowledges that (A) the LTIP OP Units to be issued have not been registered under the Securities Act or state securities laws by reason of a specific exemption or exemptions from registration under the Securities Act and applicable state securities laws and, if such LTIP OP Units are represented by certificates, such certificates will bear a legend to such effect, (B) the reliance by the Partnership on such exemptions is predicated in part on the accuracy and completeness of the representations and warranties of the Grantee contained herein, (C) such LTIP OP Units, therefore, cannot be resold unless registered under the Securities Act and applicable state securities laws, or unless an exemption from registration is available, (D) there is no public market for such LTIP OP Units and (E) the Partnership has no obligation or intention to register such LTIP OP Units under the Securities Act or any state securities laws or to take any action that would make available any exemption from the registration requirements of such laws. The Grantee hereby acknowledges that because of the restrictions on transfer or assignment of such LTIP OP Units acquired hereby that are set forth in the Partnership Agreement or this Agreement, the Grantee may have to bear the economic risk of his or her ownership of the LTIP OP Units acquired hereby for an indefinite period of time.

(v) The Grantee has determined that the LTIP OP Units are a suitable investment for the Grantee.

(vi) No representations or warranties have been made to the Grantee by the Partnership or the Company, or any officer, director, shareholder, agent, or affiliate of any of them, and the Grantee has received no information relating to an investment in the Partnership or the LTIP OP Units except the information specified in Paragraph (b) above.

(d) So long as the Grantee holds any LTIP OP Units, the Grantee shall disclose to the Partnership in writing such information as may be reasonably requested with respect to ownership of LTIP OP Units as the Partnership may deem reasonably necessary to ascertain and to establish compliance with provisions of the Internal Revenue Code of 1986, as amended (the "Code"), applicable to the Partnership or to comply with requirements of any other appropriate taxing authority.

(e) The address set forth on the signature page of this Agreement is the address of the Grantee's principal residence, and the Grantee has no present intention of becoming a resident of any country, state or jurisdiction other than the country and state in which such residence is sited.

(f) The representations of the Grantee as set forth above are true and complete to the best of the information and belief of the Grantee, and the Partnership shall be notified promptly of any changes in the foregoing representations.

Exhibit 10.3

RECKSON ASSOCIATES REALTY CORP.
CHANGE-IN-CONTROL BONUS AGREEMENT

WHEREAS, Scott H. Rechler (the "Executive") is an executive officer or key employee of Reckson Associates Realty Corp. (the "Company") or one of its Affiliates;

WHEREAS, the Executive has received an award of LTIP OP Units (the "LTIP OP Units") pursuant to the Long-Term Incentive Plan OP Unit Award Agreement, dated as of April 4, 2006 between Executive, the Company and Reckson Operating Partnership, L.P. (the "LTIP Award Agreement"); and

WHEREAS, the Company desires to provide the Executive with an additional incentive in the event that a Change-in-Control occurs prior to the Termination Date (as defined herein) and prior to the complete book-up of the LTIP OP Units, under the circumstances described herein, which would adversely affect the Executive by denying him the intended benefit of the LTIP OP Units awarded.

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

1. Change-in-Control Bonus:

(a) In the event the LTIP OP Units held by the Executive are redeemed or otherwise cashed-out in connection with the occurrence of a Change-in-Control, the Executive shall be entitled to receive from the Company a cash bonus determined as follow:

A = (B minus C), multiplied by D, where:

A equals the amount of the cash bonus to be paid to the Executive by the Company;

B equals the per OPU consideration received by a holder of an OPU in connection with the Change-in-Control;

C equals the per vested LTIP OP Unit consideration received by the Executive in connection with the Change-in-Control (but in no event shall C be greater than B); and

D equals the number of vested LTIP OP Units held by the Executive (including LTIP OP Units that become vested as a result of the Change-in-Control in accordance with the LTIP Award Agreement) that are redeemed or otherwise cashed-out in connection with the Change-in-Control.

For example, if Executive holds 100 LTIP OP Units, all 100 LTIP OP Units are vested or become vested in connection with the Change-in-Control, such LTIP OP Units are cashed-out in connection with a Change-in-Control for $5 per LTIP OP Unit as a result of a less-than-complete book-up thereof, and the OPU are cashed-out for $7 per OPU, then Executive will be entitled to receive a cash bonus of $200 hereunder ($7 minus $5, multiplied by 100).

(b) Said amount shall be payable in a lump sum no later than 31 days following the date or dates the vested LTIP OP Units held by the Executive are redeemed or otherwise cashed-out in connection with the Change-in-Control.

(c) Amounts payable pursuant to this Agreement are intended to supplement the Executive's change-in-control and other compensation under the circumstances described herein.

2. Term. This Agreement shall terminate upon the earlier of (a) the date on which the Executive no longer holds LTIP OP Units, other than as a result of the redemption or other cash-out of such LTIP OP Units in connection with the occurrence of a Change-in-Control, or (b) the payment of all amounts owed hereunder to the Executive, or (c) the sixth anniversary of the date of this Agreement (the "Termination Date").

3. Governing Law. This Agreement is made under, and will be construed in accordance with, the laws of the State of New York, without giving effect to the principle of conflict of laws of such State.

4. Transferability. This Agreement is personal to the Executive, is non-assignable and is not transferable in any manner, by operation of law or otherwise, other than by will or the laws of descent and distribution.

5. Amendment. The Executive acknowledges that this Agreement may be amended or canceled by the Company for the purpose of satisfying changes in law or for any other lawful purpose, provided that no such action shall adversely affect the Executive's rights under this Agreement without the Executive's written consent.

6. No Obligation to Continue Employment. Neither the Company nor any Affiliate is obligated by or as a result of this Agreement to continue the Executive in employment and this Agreement shall not interfere in any way with the right of the Company or any Affiliate to terminate the employment of the Executive at any time.

7. Withholding and Taxes. No later than the date as of which an amount first becomes includible in the gross income of the Executive for income tax purposes or subject to Federal Insurance Contributions Act withholding with respect to any award under this Agreement, such Executive will pay to the Company or, if appropriate, any of its Affiliates, or make arrangements satisfactory to the Company's Board of Directors regarding the payment of, any United States federal, state or local or foreign taxes of any kind required by law to be withheld with respect to such amount. The obligations of the Company under this Agreement will be conditional on such payment or arrangements, and the Company and its Affiliates shall, to the extent permitted by law, have the right to deduct any such taxes from any payment otherwise due to the Executive.

8. Successors and Assigns. This Agreement shall be binding upon the Company's successors and assigns, whether or not this Agreement is expressly assumed.

9. Definitions. Capitalized terms used but not otherwise defined herein shall have the respective meanings ascribed to such terms in the LTIP Award Agreement.

[signature page follows]

IN WITNESS WHEREOF, the undersigned have caused this Agreement to be executed as of the date first above written.

RECKSON ASSOCIATES REALTY CORP.

By: /s/ Jason M. Barnett

Name: Jason M. Barnett
Title: Senior Executive Vice President--
Corporate Initiatives and General
Counsel

/s/ Scott H. Rechler

Name: Scott H. Rechler

Exhibit 10.4

AGREEMENT FOR EXTENSION OF EMPLOYMENT AND NONCOMPETITION AGREEMENT

AGREEMENT FOR EXTENSION OF EMPLOYMENT AND NONCOMPETITION AGREEMENT, dated May 9, 2006, by and between Scott Rechler (the "Executive") and Reckson Associates Realty Corp. (the "Employer").

Reference is made to that certain (i) Amendment and Restatement of Employment and Noncompetition Agreement (the "Employment Agreement"), dated as of August 15, 2000, by and between the Executive and the Employer; (ii) Agreement for Extension of Employment and Noncompetition Agreement (the "Initial Extension Agreement"), dated September 27, 2005, by and between the Executive and the Employer; (iii) Agreement for Extension of Employment and Noncompetition Agreement (the "Second Extension Agreement"), dated December 6, 2005, and (iv) Agreement for Extension of Employment and Noncompetition Agreement (the "Third Extension Agreement"), dated February 14, 2006.

WHEREAS, the Initial Extension Agreement extended the term of the Employment Agreement in all respects through and including December 31, 2005;

WHEREAS, the Second Extension Agreement extended the term of the Employment Agreement in all respects through and including February 28, 2006;

WHEREAS, the Third Extension Agreement extended the term of the Employment Agreement in all respects through and including April 30, 2006;

WHEREAS, in accordance with the terms of the Executive's Amended and Restated Severance Agreement (the "Severance Agreement"), dated as of August 15, 2000, by and between the Executive and the Employer, the term and duration of the Executive's Severance Agreement shall be identical to the term and duration of the Employment Agreement;

WHEREAS, the Executive and the Employer wish to further extend the term of the Employment Agreement in all respects through and including June 30, 2006.

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

1. The term of the Employment Agreement is extended through and including June 30, 2006. The Employment Agreement shall terminate on July 1, 2006 unless extended for such period or periods, if any, as agreed to by the Executive and the Employer.

2. 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 June 30, 2006.

[SIGNATURES ON NEXT PAGE]

IN WITNESS WHEREOF, this Agreement for Extension of Employment and Noncompetition Agreement is entered into as of the date first set forth above.

RECKSON ASSOCIATES REALTY CORP.

By: /s/ Jason Barnett

Name: Jason Barnett
Title: Senior Executive Vice President--
Corporate Initiatives and General
Counsel

/s/ Scott Rechler

Scott Rechler

Exhibit 31.1

Reckson Operating Partnership, L.P.

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: May 15, 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

Exhibit 31.2

Reckson Operating Partnership, L.P.

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: May 15, 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

Exhibit 32.1

RECKSON OPERATING PARTNERSHIP, L.P.

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 March 31, 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: May 15, 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.

Exhibit 32.2

RECKSON OPERATING PARTNERSHIP, L.P.

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 March 31, 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: May 15, 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.