

SECURITIES AND EXCHANGE COMMISSION  
 WASHINGTON, D.C. 20549

FORM S-3  
 REGISTRATION STATEMENT  
 UNDER  
 THE SECURITIES ACT OF 1933

RECKSON ASSOCIATES REALTY CORP. AND  
 RECKSON OPERATING PARTNERSHIP, L.P.  
 (Exact name of each registrant as specified in its charter)

RECKSON ASSOCIATES REALTY CORP. - MARYLAND  
 RECKSON OPERATING PARTNERSHIP, L.P. - DELAWARE  
 (State or other jurisdiction  
 of incorporation or organization)

RECKSON ASSOCIATES REALTY CORP. - 11-3233650  
 RECKSON OPERATING PARTNERSHIP, L.P. -11-3233647  
 (I.R.S. employer  
 identification number)

225 BROADHOLLOW ROAD  
 MELVILLE, NEW YORK 11747  
 (516) 694-6900

(Address, including zip code, and telephone number, including area  
 code, of each registrant's principal executive office)

DONALD J. RECHLER  
 CHAIRMAN AND CHIEF EXECUTIVE OFFICER  
 RECKSON ASSOCIATES REALTY CORP.  
 225 BROADHOLLOW ROAD  
 MELVILLE, NEW YORK 11747  
 (516) 694-6900

(Name, address, including zip code, and telephone number, including area code, of agent for service)

Copy to:

THOMAS R. SMITH, JR., ESQ.  
 EDWARD F. PETROSKY, ESQ.  
 BROWN & WOOD LLP  
 ONE WORLD TRADE CENTER, 58TH FLOOR  
 NEW YORK, N.Y. 10048

APPROXIMATE DATE OF COMMENCEMENT OF PROPOSED SALE TO PUBLIC:  
 From time to time after this Registration Statement becomes effective.

If the only securities being registered on this form are being offered pursuant to dividend or  
 interest reinvestment plans, please check the following box.

If any of the securities being registered on this form are to be offered on a delayed or continuous  
 basis pursuant to Rule 415 under the Securities Act of 1933, as amended (the "Securities Act"), other than  
 securities offered only in connection with dividend or interest reinvestment plans, please check the following  
 box.

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under  
 the Securities Act, please check the following box and list the Securities Act registration statement number  
 of the earlier effective registration statement for the same offering.

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act,  
 check the following box and list the Securities Act registration statement number of the earlier effective  
 registration statement for the same offering.

If delivery of the prospectus is expected to be made pursuant to Rule 434, please check the following  
 box.

CALCULATION OF REGISTRATION FEE

Title of Class of Securities to be Registered(1)	Proposed Maximum Aggregate Offering Price(1)	Amount of Registration Fee
Debt Securities.....	\$260,000,000	\$72,280(4)
Guarantees(3).....		

(1) Estimated solely for purposes of calculating the registration fee.  
 (2) The Debt Securities will be issued by Reckson Operating Partnership, L.P.  
 (3) Debt Securities not rated investment grade at the time of issuance by at least one nationally  
 recognized statistical rating organization, will be accompanied by Guarantees to be issued by Reckson  
 Associates Realty Corp. None of the proceeds from the sale of the Debt Securities will be received by

Reckson Associates Realty Corp. for the issuance of the Guarantees. Pursuant to Rule 457(n) under the Securities Act, no separate filing fee for the Guarantees is required.  
(4) Calculated pursuant to Rule 457(o) under the Securities Act.

Pursuant to Rule 429 under the Securities Act, the Prospectus included in this Registration Statement is a combined prospectus and relates to Registration Statement No. 333-46883 previously filed by Reckson Associates Realty Corp. on Form S-3 in respect of its Common Stock and Preference Stock and declared effective on March 25, 1998. This Registration Statement, which is a new registration statement, also constitutes Post-effective Amendment No. 1 to Registration Statement No. 333-46883 and such Post-effective Amendment No. 1 shall hereafter become effective concurrently with the effectiveness of this Registration Statement in accordance with Section 8(c) of the Securities Act.

EACH REGISTRANT HEREBY AMENDS THIS REGISTRATION STATEMENT ON SUCH DATE OR DATES AS MAY BE NECESSARY TO DELAY ITS EFFECTIVE DATE UNTIL THE REGISTRANTS SHALL FILE A FURTHER AMENDMENT WHICH SPECIFICALLY STATES THAT THIS REGISTRATION STATEMENT SHALL THEREAFTER BECOME EFFECTIVE WITH SECTION 8(A) OF THE SECURITIES ACT OF 1933 OR UNTIL THE REGISTRATION STATEMENT SHALL BECOME EFFECTIVE ON SUCH DATE AS THE SECURITIES AND EXCHANGE COMMISSION, ACTING PURSUANT TO SAID SECTION 8(A), MAY DETERMINE.

Information contained herein is subject to completion or amendment. A registration statement relating to these securities has been filed with the Securities and Exchange Commission. These securities may not be sold nor may offers to buy be accepted prior to the time the registration statement becomes effective. This prospectus shall not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of these securities in any State in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such State.

SUBJECT TO COMPLETION  
PRELIMINARY PROSPECTUS DATED NOVEMBER 12, 1998

PROSPECTUS  
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\$744,739,654  
RECKSON ASSOCIATES REALTY CORP.  
COMMON STOCK, COMMON STOCK WARRANTS,  
PREFERRED STOCK, DEPOSITARY SHARES AND PREFERRED STOCK WARRANTS

\$260,000,000  
RECKSON OPERATING PARTNERSHIP, L.P.  
DEBT SECURITIES  
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Reckson Associates Realty Corp. may offer shares of its common stock, shares of its preferred stock, depositary shares representing interests in preferred stock, and warrants to purchase common stock or preferred stock, in an aggregate initial public offering price not to exceed \$744,739,654.

Reckson Operating Partnership, L.P. may offer one or more series of its debt securities, in an aggregate initial public offering price not to exceed \$260,000,000. If any debt securities are not rated investment grade by at least one nationally recognized statistical rating organization at the time of issuance, such debt securities will be fully and unconditionally guaranteed by Reckson Associates Realty Corp. as to payment of principal, premium, if any, and interest.

We may offer the securities referred to above at prices and on terms to be set forth in one or more supplements to this Prospectus. The Securities may be offered directly, through agents on our behalf or through underwriters or dealers.

The terms of the securities may include such limitations on ownership and restrictions on transfer thereof as may be appropriate to preserve the status of Reckson Associates Realty Corp. as a real estate investment trust for United States federal income tax purposes.

SEE "RISK FACTORS" BEGINNING ON PAGE 3 OF THIS PROSPECTUS FOR A DESCRIPTION OF CERTAIN FACTORS THAT SHOULD BE CONSIDERED BY PURCHASERS OF THE SECURITIES.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

THE DATE OF THIS PROSPECTUS IS \_\_\_\_\_, 1998.

#### AVAILABLE INFORMATION

The Company and the Operating Partnership are subject to the informational requirements of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and in accordance therewith the Company files reports, proxy statements and other information with the Securities and Exchange Commission (the "Commission") and the Operating Partnership files reports with the Commission. Such reports, proxy statements and other information may be inspected and copied at the public reference facilities maintained by the

Commission at Room 1024, 450 Fifth Street, N.W., Washington, D.C. 20549, as well as the regional offices of the Commission at 7 World Trade Center (13th Floor), New York, New York 10048, and Citicorp Center, 500 West Madison Street, Suite 1400, Chicago, Illinois 60661-2511. Copies of such information can be obtained by mail from the Public Reference Section of the Commission at 450 Fifth Street, N.W., Washington, D.C. 20549, at prescribed rates. Such materials can also be inspected at the office of the New York Stock Exchange, Inc. ("NYSE"), 20 Broad Street, New York, New York 10005. The Commission maintains a Web site at <http://www.sec.gov> containing reports, proxy and information statements and other information regarding registrants that file electronically with the Commission.

The Company and the Operating Partnership have filed with the Commission a Registration Statement on Form S-3 under the Securities Act of 1933, as amended (the "Securities Act"), with respect to the Securities. This Prospectus does not contain all of the information set forth in the Registration Statement, certain parts of which have been omitted in accordance with the rules and regulations of the Commission. For further information with respect to the Company, the Operating Partnership and the Securities, reference is made to the Registration Statement, including the exhibits filed as a part thereof and otherwise incorporated therein. Statements made in this Prospectus as to the contents of any contract, agreement or other document referred to are not necessarily complete; with respect to each such contract, agreement or other document filed as an exhibit to the Registration Statement, reference is made to such exhibit for a more complete description of the matter involved, and each such statement shall be deemed qualified in its entirety by such reference. Copies of the Registration Statement and the exhibits may be inspected, without charge, at the offices of the Commission, or obtained at prescribed rates from the Public Reference Section of the Commission at the address set forth above.

#### INCORPORATION OF CERTAIN DOCUMENTS BY REFERENCE

The following documents heretofore filed by the Company with the Commission pursuant to the Exchange Act are incorporated by reference in this Prospectus:

1. Annual Report on Form 10-K for the year ended December 31, 1997.
2. Quarterly Reports on Form 10-Q for the quarters ended March 31, 1998 and June 30, 1998.
3. Current Reports on Form 8-K (including Form 8-K/A) dated February 18, 1997, May 15, 1997, June 12, 1997, August 7, 1997, September 9, 1997, October 21, 1997, January 6, 1998, January 26, 1998, February 10, 1998, February 12, 1998, March 24, 1998, April 6, 1998, July 22, 1998, August 15, 1998 and November 2, 1998, respectively.
4. The description of the Company's Common Stock which is contained in Item 1 of the Company's registration statement on Form 8-A, as amended, filed May 9, 1995 pursuant to Section 12 of the Exchange Act.

All documents filed by the Company or the Operating Partnership pursuant to Sections 13(a), 13(c), 14 or 15(d) of the Exchange Act subsequent to the date of this Prospectus and prior to the termination of the offering of the particular Securities shall be deemed to be incorporated by reference herein and in the applicable Prospectus Supplement, and to be a part hereof and thereof from the date of the filing of such reports and documents. Any statement contained herein or therein or in a document incorporated or deemed to be incorporated by reference herein and therein shall be deemed to be modified or superseded for the purposes of this Prospectus and in the applicable Prospectus Supplement, to the extent that a statement contained therein or therein or in any other subsequently filed document which also is or is deemed to be incorporated by reference herein and therein modifies or supersedes such statement. Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Prospectus or the applicable Prospectus Supplement.

The Company and the Operating Partnership will provide a copy of any or all of such documents (exclusive of exhibits unless such exhibits are specifically incorporated by reference therein), without charge, to each person to whom this Prospectus is delivered, upon written or oral request to Reckson Associates Realty Corp., 225 Broadhollow Road, Melville, New York 11747, Attn: Jason M. Barnett, Senior Vice President and General Counsel, telephone number (516) 694-6900.

#### THE COMPANY AND THE OPERATING PARTNERSHIP

Reckson Associates Realty Corp. was incorporated in September 1994 and commenced operations effective with the completion of its initial public offering (the "IPO") on June 2, 1995. The Company, together with the Operating Partnership, was formed for the purpose of continuing the commercial real estate business of Reckson Associates, its affiliated partnerships and other entities ("Reckson"). For more than 36 years, Reckson has been engaged in the business of owning, developing, acquiring, constructing, managing and leasing suburban office and industrial properties in the New York metropolitan area. Based on industry surveys, management believes that the Company is one of the largest owners and managers of Class A suburban office and industrial properties in the New York City metropolitan Tri-State area of New York, New Jersey and Connecticut (the "New York Tri-State area"). The Company operates as a fully-integrated, self administered and self-managed REIT. As of September 30, 1998, the Company owned and controlled directly or indirectly 202 properties (the "Properties") encompassing approximately 20.7 million rentable square feet, all of which are managed by the Company. The Properties consist of 73 Class A suburban office properties (the "Office Properties") encompassing approximately 10.1 million rentable square feet, 127 industrial properties (the "Industrial Properties") encompassing approximately 10.6 million rentable square feet and two 10,000 square foot retail properties. In addition, as of September 30, 1998, the Company owned or had contracted to acquire approximately 852 acres of land

(including approximately 370 acres under option) that may present future development opportunities. In addition, the Company has invested \$17 million in a note receivable secured by the interest of Odyssey Partners, L.P. in Omni Partners, L.P.

The Office Properties are Class A suburban office buildings and are well-located, well-maintained and professionally managed. In addition, these properties are modern with high finishes or have been modernized to successfully compete with newer buildings and achieve among the highest rent, occupancy and tenant retention rates within their markets. The majority of the Office Properties are located in eight planned office parks and are tenanted primarily by national service firms such as "big six" accounting firms, securities brokerage houses, insurance companies and health care providers. The Industrial Properties are utilized for distribution, warehousing, research and development and light manufacturing/assembly activities and are located primarily in three planned industrial parks.

The executive offices of the Company and the Operating Partnership are located at 225 Broadhollow Road, Melville, New York 11747 and their telephone number at that location is (516) 694-6900. At October 20, 1998, the Company had approximately 240 employees.

#### RISK FACTORS

This Prospectus contains forward-looking statements which involve risks and uncertainties. The Company's actual results may differ significantly from the results discussed in the forward-looking statements. Factors that might cause such a difference include, but are not limited to, those discussed below. An investment in the Securities involves various risks. Prospective investors should carefully consider the following information in conjunction with the other information contained in this Prospectus and the related Prospectus Supplement before purchasing the Securities offered by such Prospectus Supplement (the "Offering"). References in this Prospectus to "we" and "our" includes, as the context requires, the Company and/or the Operating Partnership.

#### WE ARE DEPENDENT ON THE NEW YORK TRI-STATE AREA MARKET DUE TO LIMITED GEOGRAPHIC DIVERSIFICATION

All of our Properties are located in the New York Tri-State area. A decline in the economic conditions in the Tri-State New York area and for commercial real estate could adversely affect our business, financial condition and results of operations.

#### DEBT SERVICING AND REFINANCING, INCREASES IN INTEREST RATES, FINANCIAL COVENANTS AND ABSENCE OF LIMITATION OF DEBT COULD ADVERSELY AFFECT OUR ECONOMIC PERFORMANCE

Debt Financing. We are subject to risks normally associated with debt financing. Our cash flow could be insufficient to meet required payments of principal and interest. We may not be able to refinance existing indebtedness (which in virtually all cases requires substantial principal payments at maturity) or the terms of such refinancing might not be as favorable as the terms of the existing indebtedness. We may not be able to refinance any indebtedness we incur or to otherwise obtain funds by selling assets or raising equity to make required payments on maturing indebtedness.

Existing Debt Maturities; Foreclosures. We anticipate repaying only a portion of the principal of our mortgage indebtedness currently outstanding prior to maturity. However, we may not be able to repay such indebtedness at maturity; therefore we may have to refinance debt through additional debt financing or equity offerings. If we are unable to refinance this indebtedness on acceptable terms, we may be forced to dispose of properties upon disadvantageous terms, which could result in losses and adversely affect the amount of cash available for distribution to stockholders. Further, if we mortgage any properties to secure payment of indebtedness and we are unable to meet mortgage payments, the mortgagee could foreclose on the property resulting in our loss of income and asset value. In addition, even in the case of non-recourse indebtedness, the lender may have the rights to recover deficiencies from us in certain circumstances, including environmental liabilities.

Rising Interest Rates Could Adversely Affect Cash Flow. Outstanding advances under the Credit Facility (defined below) bear interest at a variable rate. In addition, we may incur indebtedness in the future that also bears interest at a variable rate or we may be required to refinance our debt at higher rates. Accordingly, increases in interest rates could increase our interest expense, which could adversely affect our ability to pay distributions to our stockholders and to service our indebtedness.

Credit Facility Requirements Could Adversely Affect our Financial Condition. We obtained a three-year unsecured credit facility (the "Credit Facility") from The Chase Manhattan Bank ("Chase"), Union Bank of Switzerland ("UBS") and PNC Bank, National Association ("PNC"), which provides for a maximum borrowing amount of up to \$500 million. Our ability to borrow under the Credit Facility is subject to certain financial covenants, including covenants relating to limitations on unsecured and secured borrowings, minimum interest and fixed charge coverage ratios, a minimum equity value and a maximum dividend payout ratio. In addition, interest rates applicable to borrowings under the Credit Facility will be priced off of LIBOR plus a scale ranging from 112.5 basis points to 137.5 basis points based on our leverage ratio. Upon the Operating Partnership receiving an investment grade rating on its senior unsecured debt by two rating agencies, the pricing is adjusted based off of LIBOR plus a scale ranging from 65 basis points to 90 basis points depending upon the rating.

No Limitation on Debt. Currently, we have a policy of incurring debt only if upon such incurrence our Debt Ratio would be 50% or less. For these purposes, Debt Ratio is defined as our total debt as a percentage of the market

value of outstanding shares of Common Stock on a fully diluted basis plus total debt. Certain of our indebtedness contains limitations on the ability of the Operating Partnership to incur additional indebtedness. However, our organizational documents do not contain any limitation on the amount of indebtedness we may incur. Accordingly, the Board of Directors could alter or eliminate this policy and would do so, for example, if it were necessary in order for us to continue to qualify as a REIT. If this policy were changed, we could become more highly leveraged, resulting in higher interest payments that could adversely affect our ability to pay distributions to our stockholders and could increase the risk of default on our existing indebtedness.

#### RISKS OF ACQUISITION, DEVELOPMENT AND CONSTRUCTION ACTIVITIES

We intend to acquire existing office and industrial properties to the extent that such acquisitions are on advantageous terms and meet our investment criteria. Acquisitions of commercial properties entail risks, such as the risk that investments will fail to perform as expected or that estimates of the cost of improvements to bring an acquired property up to standards established for the intended market position may prove inaccurate.

In addition, we formed RSVP to be a "research and development" vehicle to identify and invest in real estate companies that don't operate in our office and industrial sectors. Such investments may involve different risks than those in our office and industrial sectors.

We also intend to continue the selective development and construction of office and industrial properties in accordance with our development and underwriting policies as opportunities arise. Such development and construction activities include the risks that: we may abandon development opportunities after expending resources to determine feasibility; construction costs of a project may exceed original estimates; occupancy rates and rents at a newly completed property may not be sufficient to make the property profitable; financing may not be available on favorable terms for development of a property; and construction and lease-up may not be completed on schedule, resulting in increased debt service expense and construction costs. Development activities are also subject to risks relating to the inability to obtain, or delays in obtaining, all necessary zoning, land-use, building, occupancy and other required governmental permits and authorizations. If any of the above occur, our ability to pay distributions to our stockholders and service our indebtedness could be adversely affected. In addition, new development activities, regardless of whether or not they are ultimately successful, typically require a substantial portion of management's time and attention.

#### REAL ESTATE INVESTMENT RISKS

General Risks A commercial property's revenues and value may be adversely affected by a number of factors, including the national, state and local economic climate and real estate conditions (such as oversupply of or reduced demand for space and changes in market rental rates); the perceptions of prospective tenants of the safety, convenience and attractiveness of the properties; the ability of the owner to provide adequate management, maintenance and insurance; the ability to collect on a timely basis all rent from tenants; the need to periodically renovate, repair and relet spaces; and increasing operating costs (including real estate taxes and utilities) which may not be passed through to tenants. Certain expenses of real estate investments (such as mortgage payments, real estate taxes, insurance and maintenance costs) are generally not reduced when circumstances cause a decrease in income from the property. If a property is mortgaged and we are unable to meet the mortgage payments, the lender will foreclose on the mortgage and take the property. In addition, real estate values and income from properties are also affected by such factors as compliance with laws, including tax laws, interest rate levels and the availability of financing. Also, the rentable square feet of commercial property is often affected by market conditions and may therefore fluctuate over time.

Tenants May Default on Leases. Substantially all of our income is derived from rental income from real property and, consequently, our distributable cash flow and ability to pay distributions to our stockholders and service our indebtedness would be adversely affected if a significant number of our tenants fail to meet their lease obligations. If a tenant defaults, we may experience delays in enforcing our rights as lessor and may incur substantial costs in protecting our investment.

Because Real Estate Investments are Illiquid, We May Not be Able to Sell Properties When Appropriate. Real estate investments generally cannot be sold quickly. We may not be able to vary our portfolio promptly in response to economic or other conditions. In addition, provisions of the Code limit a REIT's ability to sell properties in some situations when it may be economically advantageous to do so, thereby adversely affecting returns to our stockholders.

Increasing Operating Costs Could Adversely Affect Cash Flow. Our Properties are subject to our operating risks common to commercial real estate, any and all of which may adversely affect occupancy or rental rates. Our Properties are subject to increases in operating expenses such as cleaning; electricity; heating, ventilation and air conditioning ("HVAC"); elevator repair and maintenance; insurance and administrative costs; and other costs associated with security, landscaping, repairs and maintenance. While our tenants generally are currently obligated to pay a portion of these costs, there is no assurance that tenants will agree to pay such costs upon renewal or that new tenants will agree to pay such costs. If operating expenses increase, the local rental market may limit the extent to which rents may be increased to meet increased expenses without at the same time decreasing occupancy rates. While we have costs saving measures at each of our Properties, if any of the above occurs, our ability to pay distributions to our stockholders and service our indebtedness could be adversely affected.

Other Competitors Could Hurt Our Business. Numerous commercial properties compete with us in attracting tenants and numerous companies compete

in selecting land for development and properties for acquisition.

**Third-Party Property Management and Construction.** We actively pursue (through our affiliated management company) the management of properties owned by third parties. Managing properties owned by third parties entails risks. Such risks include the termination of management contracts (typically cancelable without notice) by a third party, in connection with the sale of such property, the non-renewal of contracts upon expiration or renewal on terms inconsistent with the current terms and the decline of the rental revenues resulting in decreased management fees and thus, decreased management fee income. Our third-party interior construction business (conducted through our affiliated construction company) is subject to similar risks.

**Some Potential Losses Are Not Covered by Insurance.** We carry comprehensive liability, fire, extended coverage and rental loss insurance on all of our Properties. However, certain types of losses (such as losses arising from acts of war or relating to pollution) are not generally insured because they are either uninsurable or not economically insurable. If an uninsured loss or a loss in excess of insured limits should occur, we could lose our capital invested in a property, as well as any future revenue from such property. We would remain obligated on any mortgage indebtedness or other obligations related to such property.

**Investments in Mortgage Debt Could Lead to Losses.** We may invest in mortgages secured by office or industrial properties. We may acquire such properties through foreclosure proceedings or negotiated settlements. In addition to the risks associated with investments in commercial properties, investments in mortgage indebtedness present additional risks, including the risk that the fee owners of such properties may not make payments of interest on a current basis and we may not realize our anticipated return or sustain losses relating to such investments.

#### PROPERTY OWNERSHIP THROUGH PARTNERSHIPS AND JOINT VENTURES COULD LIMIT OUR CONTROL OF SUCH INVESTMENTS

We own through the Operating Partnership a 60% general partner interest in Omni Partners, L.P. (the "Omni Partnership"), the partnership that owns the Omni, a 575,000 square foot office building located in our Nassau West Corporate Center office park. Odyssey Partners, L.P. and an affiliate of Odyssey (collectively, "Odyssey") own the remaining 40% interest. Through our partnership interest, we act as managing partner and have the sole authority to conduct the business and affairs of the Omni Partnership subject to the limitations set forth in the amended and restated agreement of limited partnership of Omni Partners, L.P. (the "Omni Partnership Agreement"). These limitations include Odyssey's right to negotiate under certain circumstances a refinancing of the mortgage debt encumbering the Omni and the right to approve any sale of the Omni made on or before March 13, 2007 (the "Acquisition Date"). The Operating Partnership will continue to act as the sole managing partner of the Omni Partnership unless certain conditions specified in the Omni Partnership Agreement shall occur. Upon the occurrence of any of such conditions the Operating Partnership's general partnership interest shall convert to a limited partnership interest (in which case an affiliate of Odyssey shall be the sole managing partner), or at the option of Odyssey, the Operating Partnership shall be a co-managing partner with an affiliate of Odyssey. In addition, on the Acquisition Date, the Operating Partnership will have the right to purchase Odyssey's interest in the Omni Partnership at a price (the "Option Price") based on 90% of its fair market value. If the Operating Partnership fails to exercise such option, Odyssey has the right to require the Operating Partnership to purchase Odyssey's interest in the Omni Partnership on the Acquisition Date at the Option Price. The Operating Partnership has the right to extend the Acquisition Date until March 13, 2012. The Option Price shall apply to the payment of all sums due under a loan (the "Odyssey Loan") made by the Operating Partnership in March 1997 to Odyssey in the amount of approximately \$17 million. The Odyssey Loan matures on the Acquisition Date (subject to the Operating Partnership's right to extend the Acquisition Date as set forth above) and is secured by a pledge of all of Odyssey's right, title and interest in the Omni Partnership. All distributions of net cash flow which Odyssey is otherwise entitled to shall apply to all interest due under the Odyssey Loan. All distributions from a sale or refinancing of the Omni which Odyssey is otherwise entitled to shall apply to the interest and principal outstanding under the Odyssey Loan.

In addition, we may in the future acquire either a limited partnership interest in a property partnership without partnership management responsibility or a co-venturer interest or co-general partnership interest in a property partnership with shared responsibility for managing the affairs of a property partnership or joint venture. Therefore, we will not be in a position to exercise sole decision-making authority regarding the property partnership or joint venture. In that regard, we (through the Operating Partnership) own a 60% managing member interest in a limited liability company that owns 520 White Plains Road, a 171,761 square foot office building located in Tarrytown, New York. The remaining 40% member interest is held by Tarrytown Corporate Center III, L.P. ("TCC"), a partnership affiliated with the Halpern organization. The member agreement governing the joint venture arrangement requires us to obtain the consent of TCC prior to engaging in certain activities, including entering into or modifying a major lease (i.e., a lease for more than 25,000 rentable square feet), financing or refinancing indebtedness encumbering the property and selling or otherwise transferring the property.

Partnership or joint venture investments may involve risks not otherwise present for investments made solely by us, including the possibility that our partners or co-venturer might become bankrupt, that such partners or co-venturer might at any time have different interests or goals than we do, and that such partners or co-venturer may take action contrary to our instructions, requests, policies or objectives. This includes our policy with respect to maintaining our qualification as a REIT. Other risks of such investments include impasse on decisions, such as a sale, because neither the partner or co-venturer nor us would have full control over the partnership or joint venture. Consequently, actions by such partner or co-venturer might result in subjecting

properties owned by the partnership or joint venture to additional risk. We will, however, seek to maintain sufficient control of such partnerships or joint ventures to permit our business objectives to be achieved. There is no limitation under our organizational documents as to the amount of available funds that may be invested in partnerships or joint ventures.

#### ENVIRONMENTAL PROBLEMS ARE POSSIBLE AND MAY BE COSTLY

Federal, state and local laws and regulations relating to the protection of the environment may require a current or previous owner or operator of real estate to investigate and clean up hazardous or toxic substances or petroleum product releases at such property. 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 caused, the presence of such contaminants. Clean-up costs and the owner's liability generally are not limited under such enactments and could exceed the value of the property and/or the aggregate assets of the owner. The presence of 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 clean-up costs of such substances at a disposal or treatment facility, whether or not such facility is owned or operated by such person. Even if more than one person was responsible for the contamination, each person covered by the environmental laws may be held responsible for the clean-up costs incurred. In addition, third parties may sue the owner or operator of a site for damages and costs resulting from environmental contamination emanating from that site.

Environmental laws also govern the presence, maintenance and removal of asbestos-containing materials ("ACMs"). 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. Having arranged for the disposal or treatment of contaminants we may be potentially liable for removal, remediation and other costs, including governmental fines and injuries to persons and property.

All of our Office Properties and all of our Industrial Properties have been subjected to a Phase I or similar environmental site assessment after April 1, 1994 (which involved general inspections without soil sampling, ground water analysis or radon testing and, for our Properties constructed in 1978 or earlier, survey inspections to ascertain the existence of ACMs were conducted) completed by independent environmental consultant companies (except for 35 Pinelawn Road which was originally developed by us and subjected to a Phase I in April 1992). These environmental site assessments have not revealed any environmental liability that would have a material adverse effect on our business.

#### FAILURE TO QUALIFY AS A REIT WOULD BE COSTLY

We have operated (and intend to operate) so as to qualify as a REIT under the Code beginning with our taxable year ended December 31, 1995. Although our management believes that we are organized and operate in such a manner, no assurance can be given that we will qualify or remain qualified as a REIT.

If we fail to qualify as a REIT in any taxable year, we will be subject to federal income tax (including any applicable alternative minimum tax) on our taxable income at regular corporate rates. Moreover, unless entitled to relief under certain statutory provisions, we also will be disqualified from treatment as a REIT for the four taxable years following the year during which qualification was lost. This treatment would significantly reduce our net earnings available to service our indebtedness, make investments or pay distributions to our shareholders because of the additional tax liability to the Company for the years involved. Also, we would not then be required to pay distributions to our shareholders.

#### CONFLICTS OF INTEREST COULD RESULT IN DECISIONS NOT IN OUR BEST INTERESTS

**Tax Consequences Upon Sale or Refinancing.** Holders of units of limited partnership of the Operating Partnership ("Units") or co-owners of properties not owned entirely by us may suffer different and more adverse tax consequences than we will upon the sale or refinancing of the Properties. We may have different objectives from these co-owners and holders of Units regarding the appropriate pricing and timing of any sale or refinancing of such Properties. While we, as the sole general partner of the Operating Partnership, have the exclusive authority as to whether and on what terms to sell or refinance each Property owned solely by the Operating Partnership, our directors and officers who hold Units may seek to influence us not to sell or refinance the Properties, even though such a sale might otherwise be financially advantageous to us, or may seek to influence us to refinance a Property with a higher level of debt.

We May Have Potential Conflicts with RSI. Donald J. Rechler serves as our Chairman of the Board and our Chief Executive Officer and Chairman of the Board of RSI. Scott H. Rechler serves as our President and our Chief Operating Officer and President and Chief Executive Officer of RSI and is a director of Reckson and RSI. Michael Maturo serves as Executive Vice President, Treasurer and Chief Financial Officer of Reckson and RSI and is a director of RSI. Furthermore, Roger Rechler, Gregg Rechler and Mitchell Rechler are executive officers of Reckson and Roger Rechler and Mitchell Rechler are directors of Reckson, while all three individuals are members of the management advisory committee and directors of RSI. Although each of the individuals referred to above is committed to the success of Reckson, they are also committed to the success of RSI. As of September 30, 1998, our senior management and directors beneficially owned approximately 15% of our outstanding Common Stock (with a total market value (based on the New York Stock Exchange closing price of \$23

per share) of approximately \$178.4 million as of such date) (assuming the conversion of all Units into shares of Common Stock and the exercise of all vested stock options) and approximately 29% of the outstanding common stock of RSI (with a total market value (at a stock price of \$2 per share) of approximately 14.3 million as of such date). There is a risk that the common membership of management, members of the Boards of Directors and ownership of Reckson and RSI will lead to conflicts of interest in the fiduciary duties owed to stockholders by common directors and officers in connection with transactions between the two companies, as well as a conflict in allocating management time.

The Operating Partnership and RSI have entered into an intercompany agreement (the "Reckson Intercompany Agreement") to formalize their relationship and to limit conflicts of interest. Under the Reckson Intercompany Agreement, RSI granted the Operating Partnership a right of first opportunity to make any REIT-qualified investment that becomes available to RSI. In addition, if a REIT-qualified investment opportunity becomes available to an affiliate of RSI, including Reckson Strategic Venture Partners, LLC ("RSVP"), 100% of the common ownership interest of which is indirectly owned 100% by RSI, the Reckson Intercompany Agreement requires such affiliate to allow the Operating Partnership to participate in such opportunity to the extent of RSI's interest.

Under the Reckson Intercompany Agreement, the Operating Partnership granted RSI a right of first opportunity to provide Commercial Services (as defined below) to the Operating Partnership and its tenants. RSI will provide services to the Operating Partnership at rates and on terms as attractive as either the best available for comparable services in the market or those offered by RSI to third parties. In addition, the Operating Partnership will give RSI access to its tenants with respect to Commercial Services (as defined below) that may be provided to such tenants.

Under the Reckson Intercompany Agreement, subject to certain conditions, the Operating Partnership granted RSI a right of first refusal to become the lessee of any real property acquired by the Operating Partnership if the Operating Partnership determines that, consistent with Reckson's status as a REIT, it is required to enter into a "master" lease arrangement.

With respect to services that RSI will provide to the Operating Partnership, management will have a conflict of interest in determining the market rates to charge the Operating Partnership for such services. In addition, management will have a conflict of interest in determining whether the Company or RSI shall pursue a REIT-qualified investment opportunity outside of Reckson's core business strategy. Furthermore, the Company and RSI may structure investments so that joint ventures between the Operating Partnership and RSVP may pursue the portion of investments generating REIT-qualified income and RSVP will pursue directly the other portion of such investments. RSVP and the RSVP-Reckson Operating Partnership joint venture may have conflicts of interest in the structuring, valuation, management and disposition of such investments.

In June 1998 we established a credit facility with RSI (the "RSI Facility") in the amount of \$100 million for RSI's service sector operations and other general corporate purposes. In addition, in June 1998 we also established a credit facility with RSVP (the "RSVP Facility", and together with the RSI Facility, the "RSI Credit Facilities") for the funding of investments of up to \$100 million with or in RSVP. Advances under the RSVP Facility in excess of \$25 million in respect of any single platform will be subject to approval by our Board of Directors, while advances under the RSI Facility in excess of \$10 million in respect of any single investment in services for occupants of office, industrial and other property types that we may not be permitted to provide under Federal tax laws ("Commercial Services"), as well as advances for investments in opportunities in non-Commercial Services, will be subject to approval by our board of directors, or a committee thereof. Each RSI Credit Facility has a term of five years and advances thereunder will be recourse obligations of RSI. Interest will accrue on advances made under the RSI Credit Facilities at a rate equal to the greater of (i) the prime rate plus 2% and (ii) 12% per annum, with the rate referred to in clause (ii) increasing annually at a rate of 4% of the prior year's rate. Prior to maturity, interest will be payable quarterly but only to the extent of net cash flow and on an interest-only basis and will be prepayable without penalty at the option of RSI. As long as there are outstanding advances under the RSI Credit Facilities, RSI will be prohibited from paying dividends on any shares of its capital stock. The RSI Credit Facilities are subject to certain other covenants and prohibit advances thereunder to the extent such advances could, in our determination endanger our status as a REIT. The terms of the RSI Credit Facilities were not negotiated at arms' length and thus may not reflect terms that could have been obtained from independent third parties. Additional indebtedness may be incurred by subsidiaries of RSI. As of September 30, 1998 borrowing under the RSI Credit Facilities aggregated approximately \$6.6 million.

**Policies With Respect to Conflicts of Interest May Not Be Successful.** We have adopted certain policies designed to eliminate or minimize conflicts of interest. These policies include the approval by of all transactions in which directors or officers have a conflicting interest by a majority of our directors who are neither officers nor affiliated with the Company (the "Independent Directors"). However, there is no assurance that these policies will be successful and, if they are not successful, decisions could be made that might fail to reflect fully the interests of all of our stockholders.

#### LIMITS ON OWNERSHIP AND CHANGES IN CONTROL MAY DETER CHANGE IN MANAGEMENT AND THIRD PARTY ACQUISITION PROPOSALS

**Ownership Limit.** To maintain our qualification as a REIT, five or fewer individuals (as defined in the Internal Revenue Code of 1986, as amended (the "Code"), to include certain entities) may not own, directly or indirectly, more than 50% in value of our outstanding capital stock during the last half of a taxable year (other than the first year). In order to protect against the risk of losing REIT status, our charter limits ownership of our issued and outstanding Common Stock by any single stockholder to 9.0% of the lesser of the number or value of the outstanding shares of Common Stock. We may also impose limitations on the ownership of issued and outstanding Preferred Stock. See



"Restrictions on Ownership of Capital Stock" and "Description of Preferred Stock-Restrictions on Ownership." Such provisions may delay, defer or prevent a change of control of the Company or other transaction by a third party without the consent of the Board of Directors even if a change of control were in the best interests of our stockholders.

**Staggered Board.** Our Board of Directors is divided into three classes. The terms of the Class I, Class II and Class III directors expire in 1999, 2000 and 2001, respectively. Directors are chosen for a three-year term.

**Required Consent of Holders of Units for Certain Transactions.** Through June 2, 2000, we may not sell, transfer or otherwise dispose of all or substantially all of its assets or engage in any other similar transaction (regardless of the form of such transaction) without the consent of the holders of 85% of all outstanding Units. This voting requirement could delay, defer or prevent a change in control of the Company.

**Future Issuances of Common Stock.** Our charter authorizes the Board of Directors to issue additional shares of Common Stock without shareholder approval. We may issue shares of Common Stock in exchange for Units pursuant to the Operating Partnership agreement. Any such issuance could have the effect of diluting existing shareholders' interests in the Company.

**Preferred Stock.** Our charter authorizes the Board of Directors to issue up to 25 million shares of preferred stock (the "Preferred Stock" and, together with the Common Stock, the "Stock"), of which 9,200,000 shares of our Series A Preferred Stock have been issued (8,000 shares of which have been converted to shares of Common Stock), to reclassify unissued shares of Stock, and to establish the preferences, conversion and other rights, voting powers, restrictions, limitations and restrictions on ownership, limitations as to dividends or other distributions, qualifications, and terms and conditions of redemption for each such class or series of any Preferred Stock issued. Although the Board of Directors has no such intention at the present time, it could establish a series of Preferred Stock that could, depending on the terms of such series, delay, defer or prevent a transaction or a change in control of the Company that might involve a premium price for the Common Stock or otherwise be in the best interest of our stockholders.

**Limitations on Acquisition of and Changes in Control Pursuant to Maryland Law.** Certain provisions of the Maryland General Corporation Law (the "MGCL") may have the effect of inhibiting a third party from making an acquisition proposal for the Company or of delaying, deferring or preventing a change in control of the Company under circumstances that otherwise could provide the holders of shares of Common Stock with the opportunity to realize a premium over the then-prevailing market price of such shares. However, as permitted by the MGCL, our bylaws contain a provision exempting any and all acquisitions by any person of the Company's shares of Stock from the control share acquisition statute. In addition, the Board of Directors adopted a resolution exempting the Company from the provisions of the business combination statute. The Company may amend or eliminate such provisions at any time.

#### POTENTIAL IMPACT OF PENDING LITIGATION

In July 1998, the Company formed a joint venture, Metropolitan Partners LLC, a Delaware limited liability company ("Metropolitan Partners"), with Crescent Real Estate Equities Company, a Texas real estate investment trust ("Crescent"). Pursuant to a merger agreement executed on July 9, 1998 and amended and restated on August 11, 1998 (the "Merger Agreement") between Metropolitan Partners, the Company and Crescent and Tower Realty Trust, Inc., a Maryland corporation ("Tower"), Metropolitan Partners agreed, subject to the terms and conditions of the Merger Agreement, to purchase the common stock of Tower.

Prior to the execution of the Merger Agreement, Metropolitan Partners identified certain tax issues regarding Tower's operations. Metropolitan Partners entered into the Merger Agreement only after Tower made detailed representations and warranties purporting to address these issues. In the course of due diligence, however, Metropolitan Partners, the Company and Crescent discovered that these representations and warranties may not be correct and discussed these concerns with Tower, specifically advising Tower that they were not terminating the Merger Agreement at that time. Metropolitan Partners, the Company and Crescent invited Tower to respond to these concerns. However, on November 2, 1998, Tower filed a complaint in the Supreme Court of the State of New York alleging Metropolitan Partners, the Company and Crescent willfully breached the Merger Agreement. Tower is seeking declaratory and other relief, including damages of not less than \$75 million and specific performance by Metropolitan Partners, the Company and Crescent of their obligations under the Merger Agreement. Although management believes the Company has meritorious defenses to this action, there can be no assurance as to the impact of this action on the Company's operations and/or financial condition.

#### THE MARKET VALUE OF COMMON STOCK AND PREFERRED STOCK COULD DECREASE

**EFFECT OF MARKET CONDITIONS.** As with other publicly traded equity securities, the value of the Common Stock and Preferred Stock depends upon various market conditions, which may change from time to time. Such market conditions include: the extent of institutional investor interest in our Company; the reputation of office and industrial REITs and the attractiveness of their equity securities in comparison to other equity securities (including securities issued by other real estate-based companies); our financial condition and results of operations; and general financial market conditions.

**EFFECT OF EARNINGS AND CASH DISTRIBUTIONS.** The market value of the equity securities of a REIT may be based primarily upon the market's perception of the REIT's growth potential and its current and future cash distributions, and may be secondarily based upon the real estate market value of the underlying assets. For that reason, the Common Stock may trade above or below the net asset value per share of Common Stock. Although we may retain operating cash flow for

investment or working capital purposes, which increases the value of our underlying assets, this may not correspondingly increase the market price of the Common Stock. Our failure to meet the market's expectation with regard to future earnings and cash distributions likely would adversely affect the market price of the Common Stock and Preferred Stock.

**RISING INTEREST RATES COULD ADVERSELY AFFECT CASH FLOW.** One factor which influences the price of the Common Stock and Preferred Stock is the distribution rate on such shares (as a percentage of the price of such shares) relative to market interest rates. Thus, rising interest rates may lead potential buyers of shares to expect a higher distribution rate, which would adversely affect the market price of the Common Stock and Preferred Stock.

**WE MAY NOT BE ABLE TO PAY ON GUARANTEES**

The Operating Partnership conducts all of our operations, and our only asset is our interest in the Operating Partnership. As a result, we are dependent upon the receipt of distributions or other payments from the Operating Partnership in order to meet our financial obligations, including our obligations under any Guarantees. Any Guarantees will be effectively subordinated to existing and future liabilities of the Operating Partnership. At September 30, 1998, the Operating Partnership had approximately \$814 million of indebtedness outstanding (including its proportionate share of joint-venture debt and net of minority partners' interest). The Operating Partnership is a party to a loan agreement with various bank lenders which requires the Operating Partnership to comply with various financial and other covenants before it may make distributions to us. Although the Operating Partnership presently is in compliance with such covenants, there is no assurance that the Operating Partnership will continue to be in compliance and that it will be able to continue to pay distributions to our shareholders and service our indebtedness.

**CERTAIN TRANSACTIONS BY THE OPERATING PARTNERSHIP OR THE COMPANY COULD ADVERSELY AFFECT DEBT HOLDERS**

The Indenture does not contain any provisions that would protect holders of Debt Securities in the event of (i) a highly leveraged or similar transaction involving the Operating Partnership, the management of the Operating Partnership or the Company, or any affiliate of any such party, (ii) a change of control, or (iii) certain reorganizations, restructuring, mergers or similar transactions involving the Operating Partnership or the Company.

**USE OF PROCEEDS**

Unless otherwise specified in the applicable Prospectus Supplement, the net proceeds to the Company or the Operating Partnership, as the case may be, from the sale of the Securities offered hereby will be used for general corporate purposes, which may include the repayment of existing indebtedness, the development or acquisition of additional properties as suitable opportunities arise and the renovation, expansion and improvement of our existing properties.

**RATIOS OF EARNINGS TO COMBINED FIXED CHARGES AND PREFERRED STOCK DIVIDENDS**

The following table sets forth the Company's and the Operating Partnership's consolidated ratios of earnings to fixed charges and preferred stock dividends for the periods shown:

	Six Months Ended June 30, 1998 -----	Year Ended December 1997 ----	Year Ended December 1996 ----	June 3, 1995 to December 31, 1995 -----	January 1, 1995 to June 2, 1995 -----	Year Ended 1994 ----	December 31, 1993 ----
Company: -----							
Ratio of Earnings to Fixed Charges	2.20x	2.77x	2.72x	2.71x	1.02x(1)	0.97x(1)	0.65x(1)
Plus Preferred Dividend Requirements	2.03x(2)	--	--	--	--	--	--
Operating Partnership: -----							
Ratio of Earnings to Fixed Charges	2.22x	2.78x	2.71x	2.71x	1.02x(1)	0.97x(1)	0.65x(1)
Plus Preferred Dividend Requirements	2.04x(2)	--	--	--	--	--	--

(1) Prior to completion of the IPO on June 2, 1995, the Company's predecessors operated in a manner as to minimize net taxable income to the owners. The IPO and the related formation transactions permitted the Company to deleverage its properties significantly, resulting in a significantly improved ratio of earnings to fixed charges.

(2) Neither the Company nor the Operating Partnership had preferred stock outstanding prior to April 1998.

The ratios of earnings to fixed charges were computed by dividing earnings by fixed charges. The ratio of earnings to combined fixed charges and preferred dividends were computed by dividing earnings by the aggregate of fixed charges and preferred dividends. For this purpose, earnings consist of income from continuing operations before minority interest, fixed charges and preferred dividends. Fixed charges consist of interest expense (including interest costs capitalized) and the amortization of debt issuance costs plus preferred dividends.

#### DESCRIPTION OF DEBT SECURITIES

The Debt Securities will be issued under an Indenture (the "Indenture") among the Operating Partnership, the Company and the trustee named therein (the "Trustee"). The Indenture has been filed as an exhibit to the Registration Statement of which this Prospectus is a part and is available for inspection at the corporate trust office of the trustee or as described above under "Available Information." The Indenture is subject to, and governed by, the Trust Indenture Act of 1939, as amended (the "TIA"). The statements made hereunder relating to the Indenture and the Debt Securities to be issued thereunder are summaries of certain provisions thereof and do not purport to be complete and are subject to, and are qualified in their entirety by reference to, all provisions of the Indenture and such Debt Securities. All section references appearing herein are to sections of the Indenture, and capitalized terms used but not defined herein shall have the respective meanings set forth in the Indenture.

#### GENERAL

The Debt Securities will be direct, unsecured obligations of the Operating Partnership and will rank equally with all other unsecured and unsubordinated indebtedness of the Operating Partnership. The Debt Securities may be issued without limit as to aggregate principal amount, in one or more series, in each case as established from time to time in or pursuant to authority granted by a resolution of the Board of Directors of the Company as sole general partner of the Operating Partnership or as established in one or more indentures supplemental to the Indenture. All Debt Securities of one series need not be issued at the same time and, unless otherwise provided, a series may be reopened, without the consent of the holders of the Debt Securities of such series, for issuances of additional Debt Securities of such series (Section 301).

The Indenture provides that there may be more than one Trustee thereunder, each with respect to one or more series of Debt Securities. Any Trustee under the Indenture may resign or be removed with respect to one or more series of Debt Securities, and a successor Trustee may be appointed to act with respect to such series (Section 608). In the event that two or more persons are acting as Trustee with respect to different series of Debt Securities, each such Trustee shall be a trustee of a trust under the Indenture separate and apart from the trust administered by any other Trustee (Section 609), and, except as otherwise indicated herein, any action described herein to be taken by a Trustee may be taken by each such Trustee with respect to, and only with respect to, the one or more series of Debt Securities for which it is Trustee under the Indenture.

Reference is made to the Prospectus Supplement relating to the series of Debt Securities being offered for the specific terms thereof, including:

- (1) the title of such Debt Securities;
- (2) the aggregate principal amount of such Debt Securities and any limit on such aggregate principal amount;
- (3) the percentage of the principal amount at which such Debt Securities will be issued and, if other than the principal amount thereof, the portion of the principal amount thereof payable upon declaration of acceleration of the maturity thereof;
- (4) the date or dates, or the method for determining such date or dates, on which the principal of such Debt Securities will be payable;
- (5) the rate or rates (which may be fixed or variable), or the method by which such rate or rates shall be determined, at which such Debt Securities will bear interest, if any;
- (6) the date or dates, or the method for determining such date or dates, from which any interest will accrue, the dates on which any such interest will be payable, the record dates for such interest payment dates, or the method by which any such date shall be determined, the person to whom such interest shall be payable, and the basis upon which interest shall be calculated if other than that of a 360-day year of twelve 30-day months;
- (7) the place or places where the principal of (and premium, if any) and interest, if any, on such Debt Securities will be payable, such Debt Securities may be surrendered for registration of transfer or exchange and notices or demands to or upon the Operating Partnership in respect of such Debt Securities and the Indenture may be served;
- (8) the date or dates on which or the period or periods within which, the price or prices at which and the terms and

conditions upon which such Debt Securities may be redeemed, as a whole or in part, at the option of the Operating Partnership, if the Operating Partnership is to have such an option;

- (9) the obligation, if any, of the Operating Partnership to redeem, repay or purchase such Debt Securities pursuant to any sinking fund or analogous provision or at the option of a holder thereof, and the date or dates on which or the period or periods within which, the price or prices at which and the terms and conditions upon which such Debt Securities will be redeemed, repaid or purchased, as a whole or in part, pursuant to such obligation;
- (10) if other than U.S. dollars, the currency or currencies in which such Debt Securities are denominated and payable, which may be a foreign currency or units of two or more foreign currencies or a composite currency or currencies, and the terms and conditions relating thereto;
- (11) whether the amount of payments of principal of (and premium, if any) or interest, if any, on such Debt Securities may be determined with reference to an index, formula or other method (which index, formula or method may, but need not be, based on a currency, currencies, currency unit or units or composite currency or currencies) and the manner in which such amounts shall be determined;
- (12) the events of default or covenants of such Debt Securities, to the extent different from or in addition to those described herein;
- (13) whether such Debt Securities will be issued in certificated and/or book-entry form;
- (14) whether such Debt Securities will be in registered or bearer form and, if in registered form, the denominations thereof if other than \$1,000 and any integral multiple thereof and, if in bearer form, the denominations thereof if other than \$5,000 and terms and conditions relating thereto;
- (15) whether such Debt Securities will be fully and unconditionally guaranteed by the Company pursuant to the Guarantees (the "Guaranteed Securities");
- (16) if the defeasance and covenant defeasance provisions described herein are to be inapplicable or any modification of such provisions;
- (17) if such Debt Securities are to be issued upon the exercise of debt warrants, the time, manner and place for such Debt Securities to be authenticated and delivered;
- (18) whether and under what circumstances the Operating Partnership will pay additional amounts on such Debt Securities in respect of any tax, assessment or governmental charge and, if so, whether the Operating Partnership will have the option to redeem such Debt Securities in lieu of making such payment;
- (19) if other than the Trustee, the identity of each security registrar and/or paying agent; and
- (20) any other material terms of such Debt Securities.

The Debt Securities may provide for less than the entire principal amount thereof to be payable upon declaration of acceleration of the maturity thereof ("Original Issue Discount Securities"). If material or applicable, special U.S. federal income tax, accounting and other considerations applicable to Original Issue Discount Securities will be described in the applicable Prospectus Supplement.

Except as described under "Merger, Consolidation or Sale" or as may be set forth in any Prospectus Supplement, the Indenture does not contain any other provisions that would limit the ability of the Operating Partnership or the Company to incur indebtedness or that would afford Holders of the Debt Securities protection in the event of (i) a highly leveraged or similar transaction involving the Operating Partnership, the management of the Operating Partnership or the Company, or any affiliate of any such party, (ii) a change of control, or (iii) a reorganization, restructuring, merger or similar transaction involving the Operating Partnership or the Company that may adversely affect the Holders of the Debt Securities. In addition, subject to the limitations set forth under "Merger, Consolidation or Sale," the Operating Partnership or the Company may, in the future, enter into certain transactions, such as the sale of all or substantially all of its assets or the merger or consolidation of the Operating Partnership or the Company, that would increase the amount of the Operating Partnership's indebtedness or substantially reduce or eliminate the Operating Partnership's assets, which may have an adverse effect on the Operating Partnership's ability to service its indebtedness, including the Debt Securities. In addition, restrictions on ownership and transfers of the Company's common stock and preferred stock which are designed to preserve its status as a REIT may act to prevent or hinder a change of control. See "Description of Common Stock--Restrictions on Ownership" and "Description of Preferred Stock--Restrictions on Ownership." Reference is made to the applicable Prospectus Supplement for information with respect to any deletions from, modifications of or additions to the events of default or covenants that are described below, including any addition of a covenant or other provision providing event risk or similar protection.

Reference is made to "--Certain Covenants" below and to the description of any additional covenants with respect to a series of Debt Securities in the

applicable Prospectus Supplement. Except as otherwise described in the applicable Prospectus Supplement, compliance with such covenants generally may not be waived with respect to a series of Debt Securities by the Board of Directors of the Company as sole general partner of the Operating Partnership or by the Trustee unless the Holders of at least a majority in principal amount of all outstanding Debt Securities of such series consent to such waiver, except to the extent that the defeasance and covenant defeasance provisions of the Indenture described under "--Discharge, Defeasance and Covenant Defeasance" below apply to such series of Debt Securities. See "--Modification of the Indenture."

#### GUARANTEES

The Company will fully and unconditionally guarantee the due and punctual payment of principal of, premium, if any, and interest on any Debt Securities not rated investment grade by at least one nationally recognized statistical rating organization at the time of issuance by the Operating Partnership, whether at a maturity date, by declaration of acceleration, call for redemption or otherwise.

#### DENOMINATIONS, INTEREST, REGISTRATION AND TRANSFER

Unless otherwise described in the applicable Prospectus Supplement, the Debt Securities of any series which are registered securities, other than registered securities issued in global form (which may be of any denomination), shall be issuable in denominations of \$1,000 and any integral multiple thereof and the Debt Securities which are bearer securities, other than bearer securities issued in global form (which may be of any denomination), shall be issuable in denominations of \$5,000 (Section 302).

Unless otherwise specified in the applicable Prospectus Supplement, the principal of (and premium, if any) and interest on any series of Debt Securities will be payable at the corporate trust office of the Trustee provided that, at the option of the Operating Partnership, payment of interest may be made by check mailed to the address of the Person entitled thereto as it appears in the applicable Security Register or by wire transfer of funds to such Person at an account maintained within the United States (Sections 301, 307 and 1002).

Any interest not punctually paid or duly provided for on any Interest Payment Date with respect to a Debt Security ("Defaulted Interest") will forthwith cease to be payable to the Holder on the applicable Regular Record Date and may either be paid to the Person in whose name such Debt Security is registered at the close of business on a special record date (the "Special Record Date") for the payment of such Defaulted Interest to be fixed by the Trustee, notice whereof shall be given to the Holder of such Debt Security not less than 10 days prior to such Special Record Date, or may be paid at any time in any other lawful manner, all as more completely described in the Indenture.

Subject to certain limitations imposed upon Debt Securities issued in book-entry form, the Debt Securities of any series will be exchangeable for other Debt Securities of the same series and of a like aggregate principal amount and tenor of different authorized denominations upon surrender of such Debt Securities at the corporate trust office of the Trustee referred to above. In addition, subject to certain limitations imposed upon Debt Securities issued in book-entry form, the Debt Securities of any series may be surrendered for registration of transfer thereof at the corporate trust office of the Trustee referred to above. Every Debt Security surrendered for registration of transfer or exchange shall be duly endorsed or accompanied by a written instrument of transfer. No service charge will be made for any registration of transfer or exchange of any Debt Securities, but the Trustee or the Operating Partnership may require payment of a sum sufficient to cover any tax or other governmental charge payable in connection therewith (Section 305). If the applicable Prospectus Supplement refers to any transfer agent (in addition to the Trustee) initially designated by the Operating Partnership with respect to any series of Debt Securities, the Operating Partnership may at any time rescind the designation of any such transfer agent or approve a change in the location through which any such transfer agent acts, except that the Operating Partnership will be required to maintain a transfer agent in each place of payment for such series. The Operating Partnership may at any time designate additional transfer agents with respect to any series of Debt Securities (Section 1002).

Neither the Operating Partnership nor the Trustee shall be required (i) to issue, register the transfer of or exchange any Debt Security if such Debt Security may be among those selected for redemption during a period beginning at the opening of business 15 days before selection of the Debt Securities to be redeemed and ending at the close of business on the day of such selection, or (ii) to register the transfer of or exchange any Registered Security so selected for redemption in whole or in part, except, in the case of any Registered Security to be redeemed in part, the portion thereof not to be redeemed, or (iii) to exchange any Bearer Security so selected for redemption except that such a Bearer Security may be exchanged for a Registered Security of that series and like tenor, provided that such Registered Security shall be simultaneously surrendered for redemption, or (iv) to issue, register the transfer of or exchange any Security which has been surrendered for repayment at the option of the Holder, except the portion, if any, of such Debt Security not to be so repaid (Section 305).

#### MERGER, CONSOLIDATION OR SALE

The Operating Partnership or, with respect to the Guaranteed Securities, the Company may consolidate with, or sell, lease or convey all or substantially all of its assets to, or merge with or into, any other entity, provided that (a) the Operating Partnership or the Company, as the case may be, shall be the continuing entity, or the successor entity (if other than the Operating Partnership or the Company, as the case may be) formed by or resulting from any such consolidation or merger or which shall have received the transfer

of such assets shall expressly assume payment of the principal of (and premium, if any) and interest on all the Debt Securities and the due and punctual performance and observance of all of the covenants and conditions contained in the Indenture and, if applicable, the Guarantees; (b) immediately after giving effect to such transaction, no Event of Default under the Indenture, and no event which, after notice or the lapse of time, or both, would become such an Event of Default, shall have occurred and be continuing; and (c) an officer's certificate and legal opinion covering such conditions shall be delivered to the Trustee (Sections 801 and 803).

#### CERTAIN COVENANTS

**Existence.** Except as permitted under "Merger, Consolidation or Sale," the Operating Partnership is required to do or cause to be done all things necessary to preserve and keep in full force and effect their existence, rights and franchises; provided, however, that the Operating Partnership shall not be required to preserve any right or franchise if it determines that the preservation thereof is no longer desirable in the conduct of its business and that the loss thereof is not disadvantageous in any material respect to the Holders of the Debt Securities (Section 1007).

**Maintenance of Properties.** The Operating Partnership is required to cause all of its material properties used or useful in the conduct of its business or the business of any Subsidiary to be maintained and kept in good condition, repair and working order and supplied with all necessary equipment and to cause to be made all necessary repairs, renewals, replacements, betterments and improvements thereof, all as in the judgment of the Operating Partnership may be necessary so that the business carried on in connection therewith may be properly and advantageously conducted at all times; provided, however, that the Operating Partnership and its Subsidiaries shall not be prevented from selling or otherwise disposing for value their respective properties in the ordinary course of business (Section 1005).

**Insurance.** The Operating Partnership is required to, and is required to cause each of its Subsidiaries to, keep all of its insurable properties insured against loss or damage at least equal to their then full insurable value with financially sound and reputable insurance companies (Section 1006).

**Payment of Taxes and Other Claims.** The Operating Partnership is required to pay or discharge or cause to be paid or discharged, before the same shall become delinquent, (i) all taxes, assessments and governmental charges levied or imposed upon them or any Subsidiary or upon their income, profits or property or that of any Subsidiary, and (ii) all lawful claims for labor, materials and supplies which, if unpaid, might by law become a lien upon the property of the Operating Partnership or any Subsidiary; provided, however, that the Operating Partnership shall not be required to pay or discharge or cause to be paid or discharged any such tax, assessment, charge or claim whose amount, applicability or validity is being contested in good faith by appropriate proceedings (Section 1011).

**Provision of Financial Information.** The Holders of Debt Securities will be provided with copies of the annual reports and quarterly reports of the Operating Partnership. Whether or not the Operating Partnership is subject to Section 13 or 15(d) of the Exchange Act and for so long as any Debt Securities are outstanding, the Operating Partnership will, to the extent permitted under the Exchange Act, be required to file with the Commission the annual reports, quarterly reports and other documents which the Operating Partnership would have been required to file with the Commission pursuant to such Section 13 or 15(d) (the "Financial Statements") if the Operating Partnership were so subject, such documents to be filed with the Commission on or prior to the respective dates (the "Required Filing Dates") by which the Operating Partnership would have been required so to file such documents if the Operating Partnership were so subject. The Operating Partnership will also in any event (x) within 15 days of each Required Filing Date (i) transmit by mail to all Holders of Debt Securities, as their names and addresses appear in the Security Register, without cost to such Holders, copies of the annual reports and quarterly reports which the Operating Partnership would have been required to file with the Commission pursuant to Section 13 or 15(d) of the Exchange Act if the Operating Partnership were subject to such Sections and (ii) file with the Trustee copies of the annual reports, quarterly reports and other documents which the Operating Partnership would have been required to file with the Commission pursuant to Section 13 or 15(d) of the Exchange Act if the Operating Partnership were subject to such Sections and (y) if filing such documents by the Operating Partnership with the Commission is not permitted under the Exchange Act, promptly upon written request and payment of the reasonable cost of duplication and delivery, supply copies of such documents to any prospective Holder (Section 1014).

As used herein and in the Prospectus Supplement:

"Subsidiary" means any entity of which the Operating Partnership or one or more other Subsidiaries owns or controls, directly or indirectly, more than 50% of the shares of Voting Stock.

"Voting Stock" means stock having general voting power under ordinary circumstances to elect at least a majority of the board of directors, managers or trustees, provided that stock that carries only the right to vote conditionally on the happening of an event shall not be considered Voting Stock.

**Additional Covenants.** Any additional or different covenants of the Operating Partnership or the Company with respect to any series of Debt Securities will be set forth in the Prospectus Supplement relating thereto.

#### EVENTS OF DEFAULT, NOTICE AND WAIVER

The Indenture provides that the following events are "Events of Default" with respect to any series of Debt Securities issued thereunder: (a) default for 30 days in the payment of any installment of interest on any Debt Security of such series; (b) default in the payment of the principal of (or

premium, if any, on) any Debt Security of such series at its maturity; (c) default in making any sinking fund payment as required for any Debt Security of such series; (d) default in the performance of any other covenant of the Operating Partnership or the Company contained in the Indenture (other than a covenant added to the Indenture solely for the benefit of a series of Debt Securities issued thereunder other than such series), such default having continued for 60 days after written notice as provided in the Indenture; (e) certain events of bankruptcy, insolvency or reorganization, or court appointment of a receiver, liquidator or trustee of the Operating Partnership, the Company or any Significant Subsidiary or any of their respective property; and (f) any other Event of Default provided with respect to a particular series of Debt Securities. The term "Significant Subsidiary" means each significant subsidiary (as defined in Regulation S-X promulgated under the Securities Act) of the Operating Partnership or the Company (Section 501).

If an Event of Default under the Indenture with respect to Debt Securities of any series at the time Outstanding occurs and is continuing, then in every such case the Trustee or the Holders of not less than 25% in principal amount of the Outstanding Debt Securities of that series may declare the principal amount (or, if the Debt Securities of that series are Original Issue Discount Securities or Indexed Securities, such portion of the principal amount as may be specified in the terms thereof) of all of the Debt Securities of that series to be due and payable immediately by written notice thereof to the Operating Partnership and the Company (and to the Trustee if given by the Holders). However, at any time after such a declaration of acceleration with respect to Debt Securities of such series (or of all Debt Securities then Outstanding under the Indenture, as the case may be) has been made, but before a judgment or decree for payment of the money due has been obtained by the Trustee, the Holders of not less than a majority in principal amount of Outstanding Debt Securities of such series (or of all Debt Securities then Outstanding under the Indenture, as the case may be) may rescind and annul such declaration and its consequences if (a) the Operating Partnership or the Company shall have deposited with the Trustee all required payments of the principal of (and premium, if any) and interest on the Debt Securities of such series (or of all Debt Securities then outstanding under the Indenture, as the case may be), plus certain fees, expenses, disbursements and advances of the Trustee and (b) all Events of Default, other than the non-payment of accelerated principal of (or specified portion thereof), or premium (if any) or interest on the Debt Securities of such series (or of all Debt Securities then Outstanding under the Indenture, as the case may be) have been cured or waived as provided in the Indenture (Section 502). The Indenture also provides that the Holders of not less than a majority in principal amount of the Outstanding Debt Securities of any series (or of all Debt Securities then Outstanding under the Indenture, as the case may be) may waive any past default with respect to such series and its consequences, except a default (x) in the payment of the principal of (or premium, if any) or interest on any Debt Security of such series or (y) in respect of a covenant or provision contained in the Indenture that cannot be modified or amended without the consent of the Holder of each Outstanding Debt Security affected thereby (Section 513).

The Trustee will be required to give notice to the Holders of Debt Securities within 90 days of a default under the Indenture unless such default has been cured or waived; provided, however, that the Trustee may withhold notice to the Holders of any series of Debt Securities of any default with respect to such series (except a default in the payment of the principal of (or premium, if any) or interest on any Debt Security of such series or in the payment of any sinking fund installment in respect of any Debt Security of such series) if specified Responsible Officers of the Trustee consider such withholding to be in the interest of such Holders (Section 602).

The Indenture provides that no Holders of Debt Securities of any series may institute any proceedings, judicial or otherwise, with respect to the Indenture or for any remedy thereunder, except in the case of failure of the Trustee, for 60 days, to act after it has received a written request to institute proceedings in respect of an Event of Default from the Holders of not less than 25% in principal amount of the Outstanding Debt Securities of such series, as well as an offer of reasonable indemnity (Section 507). This provision will not prevent, however, any holder of Debt Securities from instituting suit for the enforcement of payment of the principal of (and premium, if any) and interest on such Debt Securities at the respective due dates thereof (Section 508).

Subject to provisions in the Indenture relating to its duties in case of default, the Trustee is under no obligation to exercise any of its rights or powers under the Indenture at the request or direction of any Holders of any series of Debt Securities then Outstanding under the Indenture, unless such Holders shall have offered to the Trustee thereunder reasonable security or indemnity (Section 601). The Holders of not less than a majority in principal amount of the Outstanding Debt Securities of any series (or of all Debt Securities then Outstanding under the Indenture, as the case may be) shall have the right to direct the time, method and place of conducting any proceeding for any remedy available to the Trustee, or of exercising any trust or power conferred upon the Trustee. However, the Trustee may refuse to follow any direction which is in conflict with any law or the Indenture, or which may be unduly prejudicial to the Holders of Debt Securities of such series not joining therein (Section 512).

Within 120 days after the close of each fiscal year, the Operating Partnership must certify to the Trustee whether or not such officer has knowledge of any default under the Indenture and, if so, specifying each such default and the nature and status thereof (Sections 1009 and 1010).

#### MODIFICATION OF THE INDENTURE

Modifications and amendments of the Indenture will be permitted to be made only with the consent of the Holders of not less than a majority in principal amount of all Outstanding Debt Securities or series of Outstanding Debt Securities which are affected by such modification or amendment; provided, however, that no such modification or amendment may, without the consent of the

Holder of each such Debt Security affected thereby, (a) change the Stated Maturity of the principal of, or premium (if any) or any installment of interest on, any such Debt Security, reduce the principal amount of, or the rate or amount of interest on, or any premium payable on redemption of, any such Debt Security, or reduce the amount of principal of an Original Issue Discount Security that would be due and payable upon declaration of acceleration of the maturity thereof or would be provable in bankruptcy, or adversely affect any right of repayment of the holder of any such Debt Security, change the place of payment, or the coin or currency, for payment of principal of, premium, if any, or interest on any such Debt Security or impair the right to institute suit for the enforcement of any payment on or with respect to any such Debt Security; (b) reduce the above-stated percentage of outstanding Debt Securities of any series necessary to modify or amend the Indenture, to waive compliance with certain provisions thereof or certain defaults and consequences thereunder or to reduce the quorum or voting requirements set forth in the Indenture; (c) modify or affect in any manner adverse to the Holders the terms and conditions of the obligations of the Company in respect of the payment of principal (and premium, if any) and interest on any Guaranteed Securities; or (d) modify any of the foregoing provisions or any of the provisions relating to the waiver of certain past defaults or certain covenants, except to increase the required percentage to effect such action or to provide that certain other provisions may not be modified or waived without the consent of the Holder of such Debt Security (Section 902).

The Indenture provides that the Holders of not less than a majority in principal amount of a series of Outstanding Debt Securities have the right to waive compliance with certain covenants relating to such series of Debt Securities in the Indenture (Section 1008).

Modifications and amendments of the Indenture will be permitted to be made by the Operating Partnership, the Company and the Trustee without the consent of any Holder of Debt Securities for any of the following purposes: (i) to evidence the succession of another Person to the Operating Partnership as obligor or the Company as guarantor under the Indenture; (ii) to add to the covenants of the Operating Partnership or the Company for the benefit of the Holders of all or any series of Debt Securities or to surrender any right or power conferred upon the Operating Partnership or the Company in the Indenture; (iii) to add Events of Default for the benefit of the Holders of all or any series of Debt Securities; (iv) to add or change any provisions of the Indenture to facilitate the issuance of, or to liberalize certain terms of, Debt Securities in bearer form, or to permit or facilitate the issuance of Debt Securities in uncertificated form, provided that such action shall not adversely affect the interests of the Holders of the Debt Securities of any series in any material respect; (v) to amend or supplement any provisions of the Indenture, provided that no such amendment or supplement shall materially adversely affect the interests of the Holders of any Debt Securities then Outstanding; (vi) to secure the Debt Securities; (vii) to establish the form or terms of Debt Securities of any series; (viii) to provide for the acceptance of appointment by a successor Trustee or facilitate the administration of the trusts under the Indenture by more than one Trustee; (ix) to cure any ambiguity, defect or inconsistency in the Indenture, provided that such action shall not adversely affect the interests of Holders of Debt Securities of any series in any material respect; or (x) to supplement any of the provisions of the Indenture to the extent necessary to permit or facilitate defeasance and discharge of any series of such Debt Securities, provided that such action shall not adversely affect the interests of the Holders of the Debt Securities of any series in any material respect (Section 901). In addition, with respect to Guaranteed Securities, without the consent of any Holder of Debt Securities, the Company, or a subsidiary thereof, may directly assume the due and punctual payment of the principal of, any premium and interest on all the Guaranteed Securities and the performance of every covenant of the Indenture on the part of the Operating Partnership to be performed or observed. Upon any such assumption, the Company or such subsidiary shall succeed to, and be substituted for and may exercise every right and power of, the Operating Partnership under the Indenture with the same effect as if the Company or such subsidiary had been the issuer of the Guaranteed Securities and the Operating Partnership shall be released from all obligations and covenants with respect to the Guaranteed Securities. No such assumption shall be permitted unless the Company has delivered to the Trustee (i) an officers' certificate and an opinion of counsel, stating, among other things, that the Guarantee and all other covenants of the Company in the Indenture remain in full force and effect and (ii) an opinion of independent counsel that the Holders of Guaranteed Securities shall have no materially adverse United States federal tax consequences as a result of such assumption, and that, if any Debt Securities are then listed on the New York Stock Exchange, that such Debt Securities shall not be delisted as a result of such assumption.

The Indenture provides that in determining whether the Holders of the requisite principal amount of Outstanding Debt Securities of a series have given any request, demand, authorization, direction, notice, consent or waiver thereunder or whether a quorum is present at a meeting of Holders of Debt Securities, (i) the principal amount of an Original Issue Discount Security that shall be deemed to be Outstanding shall be the amount of the principal thereof that would be due and payable as of the date of such determination upon declaration of acceleration of the maturity thereof, (ii) the principal amount of a Debt Security denominated in a foreign currency that shall be deemed Outstanding shall be the U.S. dollar equivalent, determined on the issue date for such Debt Security, of the principal amount (or, in the case of an Original Issue Discount Security, the U.S. dollar equivalent on the issue date of such Debt Security of the amount determined as provided in (i) above), (iii) the principal amount of an Indexed Security that shall be deemed Outstanding shall be the principal face amount of such Indexed Security at original issuance, unless otherwise provided with respect to such Indexed Security pursuant to the Indenture, and (iv) Debt Securities owned by the Operating Partnership or any other obligor upon the Debt Securities or any affiliate of the Operating Partnership or of such other obligor shall be disregarded.

The Indenture contains provisions for convening meetings of the Holders of Debt Securities of a series (Section 1501). A meeting will be permitted to be called at any time by the Trustee, and also, upon request, by the Operating Partnership, the Company (in respect of a series of Guaranteed Securities) or



the Holders of at least 10% in principal amount of the Outstanding Debt Securities of such series, in any such case upon notice given as provided in the Indenture (Section 1502). Except for any consent that must be given by the Holder of each Debt Security affected by certain modifications and amendments of the Indenture, any resolution presented at a meeting or adjourned meeting duly reconvened at which a quorum is present will be permitted to be adopted by the affirmative vote of the Holders of a majority in principal amount of the Outstanding Debt Securities of that series; provided, however, that, except as referred to above, any resolution with respect to any request, demand, authorization, direction, notice, consent, waiver or other action that may be made, given or taken by the Holders of a specified percentage, which is less than a majority, in principal amount of the Outstanding Debt Securities of a series may be adopted at a meeting or adjourned meeting duly reconvened at which a quorum is present by the affirmative vote of the Holders of such specified percentage in principal amount of the Outstanding Debt Securities of that series. Any resolution passed or decision taken at any meeting of Holders of Debt Securities of any series duly held in accordance with the Indenture will be binding on all Holders of Debt Securities of that series. The quorum at any meeting called to adopt a resolution, and at any reconvened meeting, will be Persons holding or representing a majority in principal amount of the Outstanding Debt Securities of a series; provided, however, that if any action is to be taken at such meeting with respect to a consent or waiver which may be given by the Holders of not less than a specified percentage in principal amount of the Outstanding Debt Securities of a series, the Persons holding or representing such specified percentage in principal amount of the Outstanding Debt Securities of such series will constitute a quorum (Section 1504).

Notwithstanding the foregoing provisions, any action to be taken at a meeting of Holders of Debt Securities of any series with respect to any action that the Indenture expressly provides may be taken by the Holders of a specified percentage which is less than a majority in principal amount of the Outstanding Debt Securities of a series may be taken at a meeting at which a quorum is present by the affirmative vote of Holders of such specified percentage in principal amount of the Outstanding Debt Securities of such series (Section 1504).

#### DISCHARGE, DEFEASANCE AND COVENANT DEFEASANCE

The Operating Partnership may discharge certain obligations to Holders of any series of Debt Securities that have not already been delivered to the Trustee for cancellation and that either have become due and payable or will become due and payable within one year (or scheduled for redemption within one year) by irrevocably depositing with the Trustee, in trust, funds in such currency or currencies, currency unit or units or composite currency or currencies in which such Debt Securities are payable in an amount sufficient to pay the entire indebtedness on such Debt Securities in respect of principal (and premium, if any) and interest to the date of such deposit (if such Debt Securities have become due and payable) or to the Stated Maturity or Redemption Date, as the case may be (Section 401).

The Indenture provides that, unless the provisions of Section 402 are made inapplicable to the Debt Securities of or within any series pursuant to Section 301 of the Indenture, the Operating Partnership may elect either (a) to defease and discharge itself and the Company (if such Debt Securities are Guaranteed Securities) from any and all obligations with respect to such Debt Securities (except for the obligation to pay additional amounts, if any, upon the occurrence of certain events of tax, assessment or governmental charge with respect to payments on such Debt Securities and the obligations to register the transfer or exchange of such Debt Securities, to replace temporary or mutilated, destroyed, lost or stolen Debt Securities, to maintain an office or agency in respect of such Debt Securities and to hold moneys for payment in trust) ("defeasance") (Section 402) or (b) to release itself and the Company (if such Debt Securities are Guaranteed Securities) from their obligations with respect to such Debt Securities under certain sections of the Indenture (including the restrictions described under "Certain Covenants") and, if provided pursuant to Section 301 of the Indenture, their obligations with respect to any other covenant, and any omission to comply with such obligations shall not constitute a default or an Event of Default with respect to such Debt Securities ("covenant defeasance") (Section 402), in either case upon the irrevocable deposit by the Operating Partnership or the Company with the Trustee, in trust, of an amount, in such currency or currencies, currency unit or units or composite currency or currencies in which such Debt Securities are payable at Stated Maturity, or Government Obligations (as defined below), or both, applicable to such Debt Securities which through the scheduled payment of principal and interest in accordance with their terms will provide money in an amount sufficient to pay the principal of (and premium, if any) and interest on such Debt Securities, and any mandatory sinking fund or analogous payments thereon, on the scheduled due dates therefor.

Such a trust will only be permitted to be established if, among other things, the Operating Partnership or the Company has delivered to the Trustee an Opinion of Counsel (as specified in the Indenture) to the effect that the Holders of such Debt Securities will not recognize income, gain or loss for U.S. federal income tax purposes as a result of such defeasance or covenant defeasance and will be subject to U.S. federal income tax on the same amounts, in the same manner and at the same times as would have been the case if such defeasance or covenant defeasance had not occurred, and such Opinion of Counsel, in the case of defeasance, must refer to and be based upon a ruling of the Internal Revenue Service or a change in applicable United States federal income tax law (Section 402).

"Government Obligations" means securities which are (i) direct obligations of the United States of America or the government which issued the foreign currency in which the Debt Securities of a particular series are payable, for the payment of which its full faith and credit is pledged or (ii) obligations of a person controlled or supervised by and acting as an agency or instrumentality of the United States of America or such government which issued the foreign currency in which the Debt Securities of such series are payable, the payment of which is unconditionally guaranteed as a full faith and credit

obligation by the United States of America or such other government, which, in either case, are not callable or redeemable at the option of the issuer thereof, and shall also include a depository receipt issued by a bank or trust company as custodian with respect to any such Government Obligation or a specific payment of interest on or principal of any such Government Obligation held by such custodian for the account of the holder of a depository receipt, provided that (except as required by law) such custodian is not authorized to make any deduction from the amount payable to the holder of such depository receipt from any amount received by the custodian in respect of the Government Obligation or the specific payment of interest on or principal of the Government Obligation evidenced by such depository receipt.

Unless otherwise provided in the applicable Prospectus Supplement, if after the Operating Partnership or the Company has deposited funds and/or Government Obligations to effect defeasance or covenant defeasance with respect to Debt Securities of any series, (a) the Holder of a Debt Security of such series is entitled to, and does, elect pursuant to the Indenture or the terms of such Debt Security to receive payment in a currency, currency unit or composite currency other than that in which such deposit has been made in respect of such Debt Security, or (b) a Conversion Event (as defined below) occurs in respect of the currency, currency unit or composite currency in which such deposit has been made, the indebtedness represented by such Debt Security shall be deemed to have been, and will be, fully discharged and satisfied through the payment of the principal of (and premium, if any) and interest on such Debt Security as they become due out of the proceeds yielded by converting the amount so deposited in respect of such Debt Security into the currency, currency unit or composite currency in which such Debt Security becomes payable as a result of such election or such Conversion Event based on the applicable market exchange rate. "Conversion Event" means the cessation of use of (i) a currency, currency unit or composite currency both by the government of the country which issued such currency and for the settlement of transactions by a central bank or other public institutions of or within the international banking community or (ii) the euro both within the European Monetary System and for the settlement of transactions by public institutions of or within the European Community. Unless otherwise provided in the applicable Prospectus Supplement, all payments of principal of (and premium, if any) and interest on any Debt Security that is payable in a foreign currency that ceases to be used by its government of issuance shall be made in U.S. dollars.

In the event the Operating Partnership effects covenant defeasance with respect to any Debt Securities and such Debt Securities are declared due and payable because of the occurrence of any Event of Default other than the Event of Default described in clause (d) under "Event of Default, Notice and Waiver" with respect to sections no longer applicable to such Debt Securities or described in clause (f) under "Events of Default, Notice and Waiver" with respect to any other covenant as to which there has been covenant defeasance, the amount in such currency, currency unit or composite currency in which such Debt Securities are payable, and Government Obligations on deposit with the Trustee, will be sufficient to pay amounts due on such Debt Securities at the time of their Stated Maturity but may not be sufficient to pay amounts due on such Debt Securities at the time of the acceleration resulting from such Event of Default. However, the Operating Partnership and the Company (if such Debt Securities are Guaranteed Securities) would remain liable to make payment of such amounts due at the time of acceleration.

## GLOBAL SECURITIES

The Debt Securities of a series may be issued in whole or in part in the form of one or more global securities (the "Global Securities") that will be deposited with, or on behalf of, a depository (the "Depository") identified in the applicable Prospectus Supplement relating to such series. Global Securities may be issued in either registered or bearer form and in either temporary or permanent form. The specific terms of the depository arrangement with respect to a series of Debt Securities will be described in the applicable Prospectus Supplement relating to such series.

## DESCRIPTION OF COMMON STOCK

### GENERAL

The Company's Charter (the "Charter") provides that the Company may issue up to 100 million shares of Common Stock, \$.01 par value per share. Each outstanding share of Common Stock will entitle the holder to one vote on all matters presented to stockholders for a vote and cumulative voting is not permitted. Holders of the Common Stock do not have preemptive rights. On October 31, 1998, there were 40,033,913 shares of Common Stock outstanding.

All shares of Common Stock offered hereby have been duly authorized, and will be fully paid and nonassessible. Subject to the preferential rights of any other shares or series of stock and to the provisions of the Charter regarding Excess Stock (as defined under "Restrictions on Ownership of Capital Stock"), holders of shares of Common Stock are entitled to receive dividends on such stock if, as and when authorized and declared by the Board of Directors of the Company out of assets legally available therefor and to share ratably in the assets of the Company legally available for distribution to its stockholders in the event of its liquidation, dissolution or winding up after payment of or adequate provision for all known debts and liabilities of the Company.

Subject to the provisions of the Charter regarding Excess Stock, each outstanding share of Common Stock entitles the holder to one vote on all matters submitted to a vote of stockholders, including the election of directors, and, except as provided with respect to any other class or series of stock, the holders of such shares will possess the exclusive voting power. There is no cumulative voting in the election of directors, which means that the holders of a majority of the outstanding shares of Common Stock can elect all of the directors then standing for election and the holders of the remaining shares will not be able to elect any directors.

Holders of shares of Common Stock have no preference, conversion, exchange, sinking fund, redemption or appraisal rights and have no preemptive rights to subscribe for any securities of the Company. Subject to the provisions of the Charter regarding Excess Stock, shares of Common Stock will have equal dividend, liquidation and other rights.

#### CERTAIN PROVISIONS OF THE COMPANY'S CHARTER

Under the Maryland General Corporation Law, as amended (the "MGCL"), a Maryland corporation generally cannot dissolve, amend its charter, merge, sell all or substantially all of its assets, engage in a share exchange or engage in similar transactions outside the ordinary course of business unless approved by the affirmative vote of stockholders holding at least two-thirds of the shares entitled to vote on the matter unless a lesser percentage (but not less than a majority of all of the votes entitled to be cast on the matter) is set forth in the corporation's charter. The Company's Charter does not provide for a lesser percentage in such situations. In addition, the Operating Partnership Agreement provides that for the five-year period following the completion of the IPO (i.e. through June 2, 2000), the Operating Partnership may not sell, transfer or otherwise dispose of all or substantially all of its assets or engage in any other similar transaction (regardless of the form of such transaction) without the consent of the holders of 85% of all outstanding Units.

The Company's Charter authorizes the Board of Directors to reclassify any unissued shares of Common Stock into other classes or series of classes of stock and to establish the number of shares in each class or series and to set the preferences, conversion and other rights, voting powers, restrictions, limitations and restrictions on ownership, limitations as to dividends or other distributions, qualifications and terms or conditions of redemption for each such class or series.

The Company's Board of Directors is divided into three classes of directors, each class constituting approximately one-third of the total number of directors, with the classes serving staggered terms. At each annual meeting of stockholders, the class of directors to be elected at such meeting will be elected for a three-year term and the directors in the other two classes will continue in office. The Company believes that classified directors will help to assure the continuity and stability of the Board of Directors and the Company's business strategies and policies as determined by the Board. The use of a staggered board may delay or defer a change in control of the Company or removal of incumbent management.

#### RESTRICTIONS ON OWNERSHIP

For the Company to qualify as a REIT under the Code, not more than 50% in value of its outstanding Common Stock may be owned, directly or indirectly, by five or fewer individuals (as defined in the Code) during the last half of a taxable year and the Common Stock must be beneficially owned by 100 or more persons during at least 335 days of a taxable year of 12 months (or during a proportionate part of a shorter taxable year). To satisfy the above ownership requirements and certain other requirements for qualification as a REIT, the Board of Directors has adopted, and the stockholders prior to the IPO approved, a provision in the Charter restricting the ownership or acquisition of shares of Common Stock. See "Restrictions on Ownership of Capital Stock."

#### TRANSFER AGENT AND REGISTRAR

The transfer agent and registrar for the Common Stock is American Stock Transfer & Trust Company.

#### DESCRIPTION OF PREFERRED STOCK

##### GENERAL

The Charter of the Company provides that the Company may issue up to 25 million shares of preferred stock, \$.01 par value per share. On October 31, 1998 there were 9,192,000 shares of 7 5/8% Series A Convertible Cumulative Preferred Stock outstanding. Dividends on the Series A Preferred Stock are payable quarterly in arrears at an annual rate of 7 5/8% of the liquidation preference of \$25 per share. The Series A Preferred Stock is convertible at any time at the option of the holder at a conversion price of \$28.51 per share of common stock, subject to adjustment in certain circumstances. On or after April 13, 2003, the shares of Series A Preferred Stock will be redeemable, in whole or in part, at the option of the Company.

In connection with the acquisition of the Cappelli portfolio, the Amended and Restated Agreement of Limited Partnership of the Operating Partnership was supplemented (the "Supplements") to establish a series of 25,000 preferred units of limited partnership interest of the Operating Partnership designated as Series B Preferred Units, a series of 11,518 preferred units designated as Series C Preferred Units and a series of 6,000 preferred units designated as Series D Preferred Units. Each of the Series B, C and D Units have a liquidation preference of \$1,000 per Unit. Distributions on each Series B, C and D Preferred Unit is payable in arrears quarterly in an amount equal to the greater of: (i) \$17.50 or (ii) the quarterly distribution attributable to each Series B, C and D Preferred Unit if such Unit was converted into Common Stock, subject to a maximum increase of 5% of the distributions on the Series B, C or D Preferred Units over the immediately preceding year. The distribution amount due on all Series B, C or D Preferred Units may be reduced during any period which certain Cappelli indebtedness remains subject to a prepayment premium or prepayment penalty. Commencing two years after the issuance of each of the Series B, C or D Preferred Units, the distribution amount may be adjusted to reflect increases or decreases in the dividends of the Company's common stock.

The holders of Series B, C or D Preferred Units have the right to convert their preferred units into common stock at a price per share of \$32.51,

\$29.39 or \$29.12, respectively. The holders of Series B Preferred Units also have the right to convert their Units into Series C Preferred Units, at any time through April 21, 2000. Each Series B, C or D Preferred Unit is exchangeable, at the option of its holder, for shares of Company Preferred Stock with a liquidation preference equal to the liquidation preference of the Series B, C or D Preferred Units and otherwise with the same terms as the Series B, C or D Preferred Units other than the conversion and exchange rights referred to above. The Operating Partnership, with regard to any notice of such an exchange, may elect to redeem all of the Series B, C or D Preferred Units that are the subject of the exchange for cash in an amount equal to the stated value of such Series B, C or D Preferred Units plus any accrued distributions thereon.

The following description of the Preferred Stock sets forth certain general terms and provisions of the Preferred Stock to which any Prospectus Supplement may relate. The statements below describing the Preferred Stock are in all respects subject to and qualified in their entirety by reference to the applicable provisions of the Charter and Bylaws of the Company and any applicable articles supplementary to the Charter designating terms of a series of Preferred Stock (a "Designating Amendment").

The issuance of Preferred Stock could adversely affect the voting power, dividend rights and other rights of holders of Common Stock. Although the Board of Directors has no such intention at the present time, it could establish a series of Preferred Stock that could, depending on the terms of such series, delay, defer or prevent a transaction or a change in control of the Company that might involve a premium price for the Common Stock or otherwise be in the best interest of the holders thereof. Management believes that the availability of Preferred Stock will provide the Company with increased flexibility in structuring possible future financing and acquisitions and in meeting other needs that might arise.

#### TERMS

Subject to the limitations prescribed by the Charter, the Board of Directors is authorized to fix the number of shares constituting each series of Preferred Stock and the designations and powers, preferences and relative, participating, optional or other special rights and qualifications, limitations or restrictions thereof, including such provisions as may be desired concerning voting, redemption, dividends, dissolution or the distribution of assets, conversion or exchange, and such other subjects or matters as may be fixed by resolution of the Board of Directors. The Preferred Stock will, when issued, be fully paid and nonassessible by the Company and will have no preemptive rights.

Reference is made to the Prospectus Supplement relating to the series of Preferred Stock offered thereby for the specific terms thereof, including:

- (1) The title and stated value of such Preferred Stock;
- (2) The number of shares of such Preferred Stock, the liquidation preference per share of such Preferred Stock and the offering price of such Preferred Stock;
- (3) The dividend rate(s), period(s) and/or payment date(s) or method(s) of calculation thereof applicable to such Preferred Stock;
- (4) The date from which dividends on such Preferred Stock shall accumulate, if applicable;
- (5) The procedures for any auction and remarketing, if any, for such Preferred Stock;
- (6) The provision for a sinking fund, if any, for such Preferred Stock;
- (7) The provisions for redemption, if applicable, of such Preferred Stock;
- (8) Any listing of such Preferred Stock on any securities exchange;
- (9) The terms and conditions, if applicable, upon which such Preferred Stock may or will be convertible into Common Stock of the Company, including the conversion price (or manner of calculation thereof);
- (10) The relative ranking and preferences of such Preferred Stock as to dividend rights and rights upon liquidation, dissolution or winding up of the affairs of the Company;
- (11) Any limitations on direct or beneficial ownership and restrictions on transfer, in each case as may be appropriate to preserve the status of the Company as a REIT;
- (12) A discussion of federal income tax considerations applicable to such Preferred Stock; and
- (13) Any other specific terms, preferences, rights, limitations or restrictions of such Preferred Stock.

#### RANK

Unless otherwise specified in the applicable Prospectus Supplement, the Preferred Stock will, with respect to dividend rights and rights upon liquidation, dissolution or winding up of the Company, rank: (i) senior to all classes or series of Common Stock of the Company and to all equity securities issued by the Company the terms of which provide that such equity securities shall rank junior to such Preferred Stock; (ii) on a parity with all equity securities issued by the Company other than those referred to in clauses (i) and

(iii); and (iii) junior to all equity securities issued by the Company which the terms of such Preferred Stock provide will rank senior to it. The term "equity securities" does not include convertible debt securities.

## DIVIDENDS

Unless otherwise specified in the applicable Prospectus Supplement, the Preferred Stock will have the rights with respect to payment of dividends set forth below.

Holders of the Preferred Stock of each series will be entitled to receive, when, as and if declared by the Board of Directors of the Company, out of assets of the Company legally available for payment, cash dividends in such amounts and on such dates as will be set forth in, or pursuant to, the applicable Prospectus Supplement. Each such dividend shall be payable to holders of record as they appear on the share transfer books of the Company on such record dates as shall be fixed by the Board of Directors of the Company.

Dividends on any series of Preferred Stock may be cumulative or non-cumulative, as provided in the applicable Prospectus Supplement. Dividends, if cumulative, will be cumulative from and after the date set forth in the applicable Prospectus Supplement. If the Board of Directors of the Company fails to declare a dividend payable on a dividend payment date on any series of Preferred Stock for which dividends are non-cumulative, then the holders of such series of Preferred Stock will have no right to receive a dividend in respect of the related dividend period and the Company will have no obligation to pay the dividend accrued for such period, whether or not dividends on such series of Preferred Stock are declared payable on any future dividend payment date.

If Preferred Stock of any series is outstanding, no full dividends will be declared or paid or set apart for payment on any capital stock of the Company of any other series ranking, as to dividends, on a parity with or junior to the Preferred Stock of such series for any period unless (i) if such series of Preferred Stock has a cumulative dividend, full cumulative dividends have been or contemporaneously are declared and paid or declared and a sum sufficient for the payment thereof set apart for such payment for all past dividend periods and the then current dividend period or (ii) if such series of Preferred Stock does not have a cumulative dividend, full dividends for the then current dividend period have been or contemporaneously are declared and paid or declared and a sum sufficient for the payment thereof set apart for such payment on the Preferred Stock of such series. When dividends are not paid in full (or a sum sufficient for such full payment is not so set apart) upon Preferred Stock of any series and the shares of any other series of Preferred Stock ranking on a parity as to dividends with the Preferred Stock of such series, all dividends declared upon Preferred Stock of such series and any other series of Preferred Stock ranking on a parity as to dividends with such Preferred Stock shall be declared pro rata so that the amount of dividends declared per share of Preferred Stock of such series and such other series of Preferred Stock shall in all cases bear to each other the same ratio that accrued dividends per share on the Preferred Stock of such series and such other series of Preferred Stock (which shall not include any accumulation in respect of unpaid dividends for prior dividend periods if such Preferred Stock does not have a cumulative dividend) bear to each other. No interest, or sum of money in lieu of interest, shall be payable in respect of any dividend payment or payments on Preferred Stock of such series which may be in arrears.

Except as provided in the immediately preceding paragraph, unless (i) if such series of Preferred Stock has a cumulative dividend, full cumulative dividends on the Preferred Stock of such series have been or contemporaneously are declared and paid or declared and a sum sufficient for the payment thereof set apart for payment for all past dividend periods and the then current dividend period, and (ii) if such series of Preferred Stock does not have a cumulative dividend, full dividends on the Preferred Stock of such series have been or contemporaneously are declared and paid or declared and a sum sufficient for the payment thereof set apart for payment for the then current dividend period, no dividends (other than in shares of Common Stock or other capital stock ranking junior to the Preferred Stock of such series as to dividends and upon liquidation) shall be declared or paid or set aside for payment or other distribution shall be declared or made upon the Common Stock, or any other capital stock of the Company ranking junior to or on a parity with the Preferred Stock of such series as to dividends or upon liquidation, nor shall any shares of Common Stock, or any other capital stock of the Company ranking junior to or on a parity with the Preferred Stock of such series as to dividends or upon liquidation, be redeemed, purchased or otherwise acquired for any consideration (or any moneys be paid to or made available for a sinking fund for the redemption of any such shares) by the Company except (1) by conversion into or exchange for other capital stock of the Company ranking junior to the Preferred Stock of such series as to dividends and upon liquidation or (2) redemption's for the purpose of preserving the Company's status as a REIT).

## REDEMPTION

If so provided in the applicable Prospectus Supplement, the Preferred Stock will be subject to mandatory redemption or redemption at the option of the Company, as a whole or in part, in each case upon the terms, at the times and at the redemption prices set forth in such Prospectus Supplement.

The Prospectus Supplement relating to a series of Preferred Stock that is subject to mandatory redemption will specify the number of shares of such Preferred Stock that shall be redeemed by the Company in each year commencing after a date to be specified, at a redemption price per share to be specified, together with an amount equal to all accumulated and unpaid dividends thereon (which shall not, if such Preferred Stock does not have a cumulative dividend, include any accumulation in respect of unpaid dividends for prior dividend periods) to the date of redemption. The redemption price may be payable in cash or other property, as specified in the applicable Prospectus Supplement. If the redemption price for Preferred Stock of any series is payable only from the net proceeds of the issuance of capital stock of the Company, the terms of such

Preferred Stock may provide that, if no such capital stock shall have been issued or to the extent the net proceeds from any issuance are insufficient to pay in full the aggregate redemption price then due, such Preferred Stock shall automatically and mandatorily be converted into the applicable capital stock of the Company pursuant to conversion provisions specified in the applicable Prospectus Supplement.

Notwithstanding the foregoing, unless (i) if such series of Preferred Stock has a cumulative dividend, full cumulative dividends on all shares of any series of Preferred Stock shall have been or contemporaneously are declared and paid or declared and a sum sufficient for the payment thereof set apart for payment for all past dividend periods and the then current dividend period, and (ii) if such series of Preferred Stock does not have a cumulative dividend, full dividends on the Preferred Stock of any series have been or contemporaneously are declared and paid or declared and a sum sufficient for the payment thereof set apart for payment for the then current dividend period, no shares of any series of Preferred Stock shall be redeemed unless all outstanding Preferred Stock of such series is simultaneously redeemed; provided, however, that the foregoing shall not prevent the purchase or acquisition of Preferred Stock of such series to preserve the REIT status of the Company or pursuant to a purchase or exchange offer made on the same terms to holders of all outstanding Preferred Stock of such series. In addition, unless (i) if such series of Preferred Stock has a cumulative dividend, full cumulative dividends on all outstanding shares of any series of Preferred Stock have been or contemporaneously are declared and paid or declared and a sum sufficient for the payment thereof set apart for payment for all past dividend periods and the then current dividend period, and (ii) if such series of Preferred Stock does not have a cumulative dividend, full dividends on the Preferred Stock of any series have been or contemporaneously are declared and paid or declared and a sum sufficient for the payment thereof set apart for payment for the then current dividend period, the Company shall not purchase or otherwise acquire, directly or indirectly, any shares of Preferred Stock of such series (except by conversion into or exchange for capital stock of the Company ranking junior to the Preferred Stock of such series as to dividends and upon liquidation); provided, however, that the foregoing shall not prevent the purchase or acquisition of Preferred Stock of such series to preserve the REIT status of the Company or pursuant to a purchase or exchange offer made on the same terms to holders of all outstanding Preferred Stock of such series.

If fewer than all of the outstanding shares of Preferred Stock of any series are to be redeemed, the number of shares to be redeemed will be determined by the Company and such shares may be redeemed pro rata from the holders of record of such shares in proportion to the number of such shares held or for which redemption is requested by such holder (with adjustments to avoid redemption of fractional shares) or by lot in a manner determined by the Company.

Notice of redemption will be mailed at least 30 days but not more than 60 days before the redemption date to each holder of record of Preferred Stock of any series to be redeemed at the address shown on the share transfer books of the Company. Each notice shall state: (i) the redemption date; (ii) the number of shares and series of the Preferred Stock to be redeemed; (iii) the redemption price; (iv) the place or places where certificates for such Preferred Stock are to be surrendered for payment of the redemption price; (v) that dividends on the shares to be redeemed will cease to accumulate on such redemption date; and (vi) the date upon which the holder's conversion rights, if any, as to such shares shall terminate. If fewer than all the shares of Preferred Stock of any series are to be redeemed, the notice mailed to each such holder thereof shall also specify the number of shares of Preferred Stock to be redeemed from each such holder. If notice of redemption of any Preferred Stock has been given and if the funds necessary for such redemption have been set aside by the Company in trust for the benefit of the holders of any Preferred Stock so called for redemption, then from and after the redemption date dividends will cease to accumulate on such Preferred Stock, and all rights of the holders of such Preferred Stock will terminate, except the right to receive the redemption price.

#### LIQUIDATION PREFERENCE

Upon any voluntary or involuntary liquidation, dissolution or winding up of the affairs of the Company (referred to herein as a "liquidation"), then, before any distribution or payment shall be made to the holders of any Common Stock or any other class or series of capital stock of the Company ranking junior to the Preferred Stock of such series in the distribution of assets upon any liquidation, dissolution or winding up of the Company, the holders of such Preferred Stock shall be entitled to receive out of assets of the Company legally available for distribution to shareholders liquidating distributions in the amount of the liquidation preference per share (set forth in the applicable Prospectus Supplement), plus an amount equal to all dividends accumulated and unpaid thereon (which shall not include any accumulation in respect of unpaid dividends for prior dividend periods if such Preferred Stock does not have a cumulative dividend). After payment of the full amount of the liquidating distributions to which they are entitled, the holders of Preferred Stock will have no rights or claim to any of the remaining assets of the Company. In the event that, upon any such voluntary or involuntary liquidation, dissolution or winding up, the available assets of the Company are insufficient to pay the amount of the liquidating distributions on all outstanding Preferred Stock of such series and the corresponding amounts payable on all shares of other classes or series of capital stock of the Company ranking on a parity with such Preferred Stock in the distribution of assets, then the holders of such Preferred Stock and all other such classes or series of capital stock shall share ratably in any such distribution of assets in proportion to the full liquidating distributions to which they would otherwise be respectively entitled.

The consolidation or merger of the Company with or into any other entity, or the merger of another entity with or into the Company, or a statutory share exchange by the Company, or the sale, lease or conveyance of all or substantially all of the property or business of the Company, shall not be deemed to constitute a liquidation, dissolution or winding up of the Company.

## VOTING RIGHTS

Holders of the Preferred Stock will not have any voting rights, except as set forth below or as otherwise from time to time required by law or as indicated in the applicable Prospectus Supplement.

Whenever dividends on any series of Preferred Stock shall be in arrears for six or more quarterly periods, the holders of such Preferred Stock (voting separately as a class with all other series of Preferred Stock upon which like voting rights have been conferred and are exercisable) will be entitled to vote for the election of two additional directors of the Company at a special meeting called by the holders of record of at least ten percent (10%) of any series of Preferred Stock so in arrears (unless such request is received less than 90 days before the date fixed for the next annual or special meeting of the stockholders) or at the next annual meeting of stockholders, and at each subsequent annual meeting until (i) if such series of Preferred Stock has a cumulative dividend, all dividends accumulated on such shares of Preferred Stock for the past dividend periods and the then current dividend period shall have been fully paid or declared and a sum sufficient for the payment thereof set aside for payment or (ii) if such series of Preferred Stock does not have a cumulative dividend, four quarterly dividends shall have been fully paid or declared and a sum sufficient for the payment thereof set aside for payment. In such cases, the entire Board of Directors of the Company will be increased by two directors.

Unless provided otherwise for any series of Preferred Stock, so long as any shares of such Preferred Stock remain outstanding, the Company will not, without the affirmative vote or consent of the holders of at least two-thirds of the shares of such series of Preferred Stock outstanding at the time, given in person or by proxy, either in writing or at a meeting (such series voting separately as a class), (i) authorize or create, or increase the authorized or issued amount of, any class or series of capital stock ranking senior to such Preferred Stock with respect to payment of dividends or the distribution of assets upon liquidation, dissolution or winding up of the Company, or reclassify any authorized capital stock of the Company into such stock, or create, authorize or issue any obligation or security convertible into or evidencing the right to purchase any such stock; or (ii) amend, alter or repeal the provisions of the Company's Charter or the Designating Amendment for such series of Preferred Stock, whether by merger, consolidation or otherwise (an "Event"), so as to materially and adversely affect any right, preference, privilege or voting power of such series of Preferred Stock or the holders thereof; provided, however, with respect to the occurrence of any of the Events set forth in (ii) above, so long as such series of Preferred Stock remains outstanding with the terms thereof materially unchanged, taking into account that upon the occurrence of an Event the Company may not be the surviving entity, the occurrence of any such Event shall not be deemed to materially and adversely affect such rights, preferences, privileges or voting powers of holders of such series of Preferred Stock; and provided, further, that (x) any increase in the amount of the authorized Preferred Stock or the creation or issuance of any other series of Preferred Stock, or (y) any increase in the amount of authorized shares of such series of Preferred Stock or any other series of Preferred Stock, in each case ranking on a parity with or junior to the Preferred Stock of such series with respect to payment of dividends or the distribution of assets upon liquidation, dissolution or winding up of the Company, shall not be deemed to materially and adversely affect such rights, preferences, privileges or voting powers.

The foregoing voting provisions will not apply if, at or prior to the time when the act with respect to which such vote or consent would otherwise be required shall be effected, all outstanding shares of such series of Preferred Stock shall have been converted, redeemed or called for redemption and sufficient funds shall have been deposited in trust to effect such redemption.

## CONVERSION RIGHTS

The terms and conditions, if any, upon which any series of Preferred Stock is convertible into shares of Common Stock will be set forth in the applicable Prospectus Supplement. Such terms will include the number of shares of Common Stock into which the shares of Preferred Stock are convertible, the conversion price (or manner of calculation thereof), the conversion period, provisions as to whether conversion will be at the option of the holders of the Preferred Stock or the Company, the events requiring an adjustment of the conversion price and provisions affecting conversion in the event of the redemption of the Preferred Stock.

## SHAREHOLDER LIABILITY

As discussed below under "Description of Common Stock -- General," applicable Maryland law provides that no shareholder, including holders of Preferred Stock, shall be personally liable for the acts and obligations of the Company and that the funds and property of the Company shall be the only recourse for such acts or obligations.

## RESTRICTIONS ON OWNERSHIP

As discussed below under "Restrictions on Ownership of Capital Stock," for the Company to qualify as a REIT under the Code, not more than 50% in value of its outstanding capital stock may be owned, directly or indirectly, by five or fewer individuals (as defined in the Code to include certain entities) during the last half of a taxable year. Therefore, the Designating Amendment for each series of Preferred Stock may contain provisions restricting the ownership and transfer of such Preferred Stock. The applicable Prospectus Supplement will specify any additional ownership limitation relating to a series of Preferred Stock.

The Registrar and Transfer Agent for the Preferred Stock is American Stock Transfer & Trust Company.

#### DESCRIPTION OF DEPOSITARY SHARES

##### GENERAL

The Company may issue receipts ("Depositary Receipts") for Depositary Shares, each of which will represent a fractional interest or a share of a particular series of a class of Preferred Shares, as specified in the applicable Prospectus Supplement. Preferred Shares of each series of each class represented by Depositary Shares will be deposited under a separate Deposit Agreement (each, a "Deposit Agreement") among the Company, the depositary named therein (such depositary or its successor, the "Preferred Shares Depositary") and the holders from time to time of the Depositary Receipts. Subject to the terms of the Deposit Agreement, each owner of a Depositary Receipt will be entitled, in proportion to the fractional interest of a share of the particular series of a class of Preferred Shares represented by the Depositary Shares evidenced by such Depositary Receipt, to all the rights and preferences of the Preferred Shares represented by such Depositary Shares (including dividend, voting, conversion, redemption and liquidation rights).

The Depositary Shares will be evidenced by Depositary Receipts issued pursuant to the applicable Deposit Agreement. Immediately following the issuance and delivery of the Preferred Shares by the Company to the Preferred Shares Depositary, the Company will cause the Preferred Shares Depositary to issue, on behalf of the Company, the Depositary Receipts. Copies of the applicable form of Deposit Agreement and Depositary Receipt may be obtained from the Company upon request.

##### DIVIDENDS AND OTHER DISTRIBUTIONS

The Preferred Shares Depositary will distribute all cash dividends or other cash distributions received in respect of the Preferred Shares to the record holders of the Depositary Receipts evidencing the related Depositary Shares in proportion to the number of such Depositary Receipts owned by such holder, subject to certain obligations of holders to file proofs, certificates and other information and to pay certain charges and expenses to the Preferred Shares Depositary.

In the event of a distribution other than in cash, the Preferred Shares Depositary will distribute property received by it to the record holders of Depositary Receipts entitled thereto, subject to certain obligations of holders to file proofs, certificates and other information and to pay certain charges and expenses to the Preferred Shares Depositary, unless the Preferred Shares Depositary determines that it is not feasible to make such distribution, in which case the Preferred Shares Depositary may, with the approval of the Company, sell such property and distribute the net proceeds from such sale to such holders.

##### WITHDRAWAL OF SHARES

Upon surrender of the Depositary Receipts at the corporate trust office of the Preferred Shares Depositary (unless the related Depositary Shares have previously been called for redemption), the holders thereof will be entitled to delivery at such office, to or upon such holder's order, of the number of whole or fractional Preferred Shares and any money or other property represented by the Depositary Shares evidenced by such Depositary Receipts. Holders of Depositary Receipts will be entitled to receive whole or fractional shares of the related Preferred Shares on the basis of the proportion of Preferred Shares represented by each Depositary Share as specified in the applicable Prospectus Supplement, but holders of such Preferred Shares will not thereafter be entitled to receive Depositary Shares therefor. If the Depositary Receipts delivered by the holder evidence a number of Depositary Shares in excess of the number of Depositary Shares representing the number of Preferred Shares to be withdrawn, the Preferred Shares Depositary will deliver to such holder at the same time a new Depositary Receipt evidencing such excess number of Depositary Shares.

##### REDEMPTION OF DEPOSITARY SHARES

Whenever the Company redeems Preferred Shares held by the Preferred Shares Depositary, the Preferred Shares Depositary will redeem as of the same redemption date the number of Depositary Shares representing the Preferred Shares so redeemed, provided the Company shall have paid in full to the Preferred Shares Depositary the redemption price of the Preferred Shares to be redeemed plus an amount equal to any accrued and unpaid dividends thereon to the date fixed for redemption. The redemption price per Depositary Share will be equal to the redemption price and any other amounts per share payable with respect to the Preferred Shares. If less than all the Depositary Shares are to be redeemed, the Depositary Shares to be redeemed will be selected by the Preferred Shares Depositary by lot.

After the date fixed for redemption, the Depositary Shares so called for redemption will no longer be deemed to be outstanding and all rights of the holders of the Depositary Receipts evidencing the Depositary Shares so called for redemption will cease, except the right to receive any moneys payable upon such redemption and any money or other property to which the holders of such Depositary Receipts were entitled upon such redemption upon surrender thereof to the Preferred Shares Depositary.

##### VOTING OF THE UNDERLYING PREFERRED SHARES

Upon receipt of notice of any meeting at which the holders of the



Preferred Shares are entitled to vote, the Preferred Shares Depositary will mail the information contained in such notice of meeting to the record holders of the Depositary Receipts evidencing the Depositary Shares which represent such Preferred Shares. Each record holder of Depositary Receipts evidencing Depositary Shares on the record date (which will be the same date as the record date for the Preferred Shares) will be entitled to instruct the Preferred Shares Depositary as to the exercise of the voting rights pertaining to the amount of Preferred Shares represented by such holder's Depositary Shares. The Preferred Shares Depositary will vote the amount of Preferred Shares represented by such Depositary Shares in accordance with such instructions, and the Company will agree to take all reasonable action which may be deemed necessary by the Preferred Shares Depositary in order to enable the Preferred Shares Depositary to do so. The Preferred Shares Depositary will abstain from voting the amount of Preferred Shares represented by such Depositary Shares to the extent it does not receive specific instructions from the holders of Depositary Receipts evidencing such Depositary Shares.

#### LIQUIDATION PREFERENCE

In the event of liquidation, dissolution or winding up of the Company, whether voluntary or involuntary, each holder of a Depositary Receipt will be entitled to the fraction of the liquidation preference accorded each Preferred Share represented by the Depositary Share evidenced by such Depositary Receipt, as set forth in the applicable Prospectus Supplement.

#### CONVERSION OF PREFERRED SHARES

The Depositary Shares, as such, are not convertible into Common Shares or any other securities or property of the Company. Nevertheless, if so specified in the applicable Prospectus Supplement relating to an offering of Depositary Shares, the Depositary Receipts may be surrendered by holders thereof to the Preferred Shares Depositary with written instructions to the Preferred Shares Depositary to instruct the Company to cause conversion of the Preferred Shares represented by the Depositary Shares evidenced by such Depositary Receipts into whole Common Shares, other Preferred Shares of the Company or other shares of capital stock, and the Company has agreed that upon receipt of such instructions and any amounts payable in respect thereof, it will cause the conversion thereof utilizing the same procedures as those provided for delivery of Preferred Shares to effect such conversion. If the Depositary Shares evidenced by a Depositary Receipt are to be converted in part only, one or more new Depositary Receipts will be issued for any Depositary Shares not to be converted. No fractional Common Shares will be issued upon conversion, and if such conversion will result in a fractional share being issued, an amount will be paid in cash by the Company equal to the value of the fractional interest based upon the closing price of the Common Shares on the last business day prior to the conversion.

#### AMENDMENT AND TERMINATION OF THE DEPOSIT AGREEMENT

The form of Depositary Receipt evidencing the Depositary Shares which represent the Preferred Shares and any provision of the Deposit Agreement may at any time be amended by agreement between the Company and the Preferred Shares Depositary. However, any amendment that materially and adversely alters the rights of the holders of Depositary Receipts will not be effective unless such amendment has been approved by the existing holders of at least a majority of the Depositary Shares evidenced by the Depositary Receipts then outstanding.

The Deposit Agreement may be terminated by the Company upon not less than 30 days' prior written notice to the Preferred Shares Depositary if (i) such termination is to preserve the Company's status as a REIT or (ii) a majority of each class of Preferred Shares affected by such termination consents to such termination, whereupon the Preferred Shares Depositary shall deliver or make available to each holder of Depositary Receipts, upon surrender of the Depositary Receipts held by such holder, such number of whole or fractional Preferred Shares as are represented by the Depositary Shares evidenced by such Depositary Receipts. In addition, the Deposit Agreement will automatically terminate if (i) all outstanding Depositary Shares shall have been redeemed, (ii) there shall have been a final distribution in respect of the related Preferred Shares in connection with any liquidation, dissolution or winding up of the Company and such distribution shall have been distributed to the holders of Depositary Receipts evidencing the Depositary Shares representing such Preferred Shares or (iii) each related Preferred Share shall have been converted into capital stock of the Company not so represented by Depositary Shares.

#### CHARGES OF PREFERRED SHARES DEPOSITARY

The Company will pay all transfer and other taxes and governmental charges arising solely from the existence of the Deposit Agreement. In addition, the Company will pay the fees and expenses of the Preferred Shares Depositary in connection with the performance of its duties under the Deposit Agreement. However, holders of Depositary Receipts will pay the fees and expenses of the Preferred Shares Depositary for any duties requested by such holders to be performed which are outside of those expressly provided for in the Deposit Agreement.

#### RESIGNATION AND REMOVAL OF DEPOSITARY

The Preferred Shares Depositary may resign at any time by delivering to the Company notice of its election to do so, and the Company may at any time remove the Preferred Shares Depositary, any such resignation or removal to take effect upon the appointment of a successor Preferred Shares Depositary. A successor Preferred Shares Depositary must be appointed within 60 days after delivery of the notice of resignation or removal and must be a bank or trust company having its principal office in the United States and having a combined capital and surplus of at least \$50,000,000.

## MISCELLANEOUS

The Preferred Shares Depository will forward to holders of Depository Receipts any reports and communications from the Company which are received by the Preferred Shares Depository with respect to the related Preferred Shares.

Neither the Preferred Shares Depository nor the Company will be liable if it is prevented from or delayed in, by law or any circumstances beyond its control, performing its obligations under the Deposit Agreement. The obligations of the Company and the Preferred Shares Depository under the Deposit Agreement will be limited to performing their duties thereunder in good faith and without negligence, gross negligence or willful misconduct, and the Company and the Preferred Shares Depository will not be obligated to prosecute or defend any legal proceeding in respect of any Depository Receipts, Depository Shares or Preferred Shares represented thereby unless satisfactory indemnity is furnished. The Company and the Preferred Shares Depository may rely on written advice of counsel or accountants, or information provided by persons presenting Preferred Shares represented thereby for deposit, holders of Depository Receipts or other persons believed to be competent to give such information, and on documents believed to be genuine and signed by a proper party.

If the Preferred Shares Depository shall receive conflicting claims, requests or instructions from any holders of Depository Receipts, on the one hand, and the Company, on the other hand, the Preferred Shares Depository shall be entitled to act on such claims, requests or instructions received from the Company.

## RESTRICTIONS ON OWNERSHIP OF CAPITAL STOCK

### EXCESS STOCK

The Charter provides that the Company may issue up to 75 million shares of excess stock, par value \$.01 per share ("Excess Stock"). For a description of Excess Stock, see "--Restrictions on Ownership" below.

### RESTRICTIONS ON OWNERSHIP

For the Company to qualify as a REIT under the Code, among other things, not more than 50% in value of its outstanding capital stock may be owned, directly or indirectly, by five or fewer individuals (defined in the Code to include certain entities) during the last half of a taxable year (other than the first year) (the "Five or Fewer Requirement"), and such shares of capital stock must be beneficially owned by 100 or more persons during at least 335 days of a taxable year of 12 months (other than the first year) or during a proportionate part of a shorter taxable year. Pursuant to the Code, Common Stock held by certain types of entities, such as pension trusts qualifying under Section 401(a) of the Code, United States investment companies registered under the Investment Company Act of 1940, partnerships, trusts and corporations, will be attributed to the beneficial owners of such entities for purposes of the Five or Fewer Requirement (i.e., the beneficial owners of such entities will be counted as shareholders of the Company).

In order to protect the Company against the risk of losing its status as a REIT due to a concentration of ownership among its stockholders, the Charter, subject to certain exceptions, provides that no stockholder may own, or be deemed to own by virtue of the attribution provisions of the Code, more than 9.0% (the "Ownership Limit") of the aggregate number or value of the Company's outstanding shares of Common Stock. Limitations on the ownership of Preferred Stock may also be imposed by the Company. See "Description of Preferred Stock - Restrictions on Ownership." Any direct or indirect ownership of shares of stock in excess of the Ownership Limit or that would result in the disqualification of the Company as a REIT, including any transfer that results in shares of capital stock being owned by fewer than 100 persons or results in the Company being "closely held" within the meaning of Section 856(h) of the Code, shall be null and void, and the intended transferee will acquire no rights to the shares of capital stock. The foregoing restrictions on transferability and ownership will not apply if the Board of Directors determines that it is no longer in the best interests of the Company to attempt to qualify, or to continue to qualify, as a REIT. The Board of Directors may, in its sole discretion, waive the Ownership Limit if evidence satisfactory to the Board of Directors and the Company's tax counsel is presented that the changes in ownership will not then or in the future jeopardize the Company's REIT status and the Board of Directors otherwise decides that such action is in the best interest of the Company.

Shares of capital stock owned, or deemed to be owned, or transferred to a stockholder in excess of the Ownership Limit will automatically be converted into shares of Excess Stock that will be transferred, by operation of law, to the trustee of a trust for the exclusive benefit of one or more charitable organizations described in Section 170(b)(1)(A) and 170(c) of the Code (the "Charitable Beneficiary"). The trustee of the trust will be deemed to own the Excess Stock for the benefit of the Charitable Beneficiary on the date of the violative transfer to the original transferee-stockholder. Any dividend or distribution paid to the original transferee-stockholder of Excess Stock prior to the discovery by the Company that capital stock has been transferred in violation of the provisions of the Company's Charter shall be repaid to the trustee upon demand. Any dividend or distribution authorized and declared but unpaid shall be rescinded as void ab initio with respect to the original transferee-stockholder and shall instead be paid to the trustee of the trust for the benefit of the Charitable Beneficiary. Any vote cast by an original transferee-stockholder of shares of capital stock constituting Excess Stock prior to the discovery by the Company that shares of capital stock have been transferred in violation of the provisions of the Company's Charter shall be rescinded as void ab initio. While the Excess Stock is held in trust, the original transferee-stockholder will be deemed to have given an irrevocable proxy to the trustee to vote the capital stock for the benefit of the Charitable Beneficiary. The trustee of the trust may transfer the interest in the trust

representing the Excess Stock to any person whose ownership of the shares of capital stock converted into such Excess Stock would be permitted under the Ownership Limit. If such transfer is made, the interest of the Charitable Beneficiary shall terminate and the proceeds of the sale shall be payable to the original transferee-stockholder and to the Charitable Beneficiary as described herein. The original transferee-stockholder shall receive the lesser of (i) the price paid by the original transferee-stockholder for the shares of capital stock that were converted into Excess Stock or, if the original transferee-stockholder did not give value for such shares (e.g., the stock was received through a gift, devise or other transaction), the average closing price for the class of shares from which such shares of capital stock were converted for the ten trading days immediately preceding such sale or gift, and (ii) the price received by the trustee from the sale or other disposition of the Excess Stock held in trust. The trustee may reduce the amount payable to the original transferee-stockholder by the amount of dividends and distributions relating to the shares of Excess Stock which have been paid to the original transferee-stockholder and are owed by the original transferee-stockholder to the trustee. Any proceeds in excess of the amount payable to the original transferee-stockholder shall be paid by the trustee to the Charitable Beneficiary. Any liquidation distributions relating to Excess Stock shall be distributed in the same manner as proceeds of a sale of Excess Stock. If the foregoing transfer restrictions are determined to be void or invalid by virtue of any legal decision, statute, rule or regulations, then the original transferee-stockholder of any shares of Excess Stock may be deemed, at the option of the Company, to have acted as an agent on behalf of the Company in acquiring the shares of Excess Stock and to hold the shares of Excess Stock on behalf of the Company.

In addition, the Company will have the right, for a period of 90 days during the time any shares of Excess Stock are held in trust, to purchase all or any portion of the shares of Excess Stock at the lesser of (i) the price initially paid for such shares by the original transferee-stockholder, or if the original transferee-stockholder did not give value for such shares (e.g., the shares were received through a gift, devise or other transaction), the average closing price for the class of stock from which such shares of Excess Stock were converted for the ten trading days immediately preceding such sale or gift, and (ii) the average closing price for the class of stock from which such shares of Excess Stock were converted for the ten trading days immediately preceding the date the Company elects to purchase such shares. The Company may reduce the amount payable to the original transferee-stockholder by the amount of dividends and distributions relating to the shares of Excess Stock which have been paid to the original transferee-stockholder and are owed by the original transferee-stockholder to the trustee. The Company may pay the amount of such reductions to the trustee for the benefit of the Charitable Beneficiary. The 90-day period begins on the later date of which notice is received of the violative transfer if the original transferee-stockholder gives notice to the Company of the transfer or, if no such notice is given, the date the Board of Directors determines that a violative transfer has been made.

These restrictions will not preclude settlement of transactions through the New York Stock Exchange.

All certificates representing shares of stock will bear a legend referring to the restrictions described above.

Each stockholder shall upon demand be required to disclose to the Company in writing any information with respect to the direct, indirect and constructive ownership of capital stock of the Company as the Board of Directors deems necessary to comply with the provisions of the Code applicable to REITs, to comply with the requirements of any taxing authority or governmental agency or to determine any such compliance.

The Ownership Limit may have the effect of delaying, deferring or preventing a change in control of the Company unless the Board of Directors determines that maintenance of REIT status is no longer in the best interest of the Company.

#### DESCRIPTION OF WARRANTS

The Company may issue Warrants for the purchase of Common Stock or Preferred Stock. Warrants may be issued independently or together with any Securities and may be attached to or separate from such Securities. Each series of Warrants will be issued under a separate warrant agreement (each, a "Warrant Agreement") to be entered into between the Company and a warrant agent specified therein ("Warrant Agent"). The Warrant Agent will act solely as an agent of the Company in connection with the Warrants of such series and will not assume any obligation or relationship of agency or trust for or with any holders or beneficial owners of Warrants.

The applicable Prospectus Supplement will describe the following terms, where applicable, of the Warrants in respect of which this Prospectus is being delivered: (1) the title of such Warrants; (2) the aggregate number of such Warrants; (3) the price or prices at which such Warrants will be issued; (4) the currencies in which the price or prices of such Warrants may be payable; (5) the designation, amount and terms of the Securities purchasable upon exercise of such Warrants; (6) the designation and terms of the other Securities, if any, with which such Warrants are issued and the number of such Warrants issued with each such security; (7) if applicable, the date on and after which such Warrants and the Securities purchasable upon exercise of such Warrants will be separately transferable; (8) the price or prices at which and currency or currencies in which the Securities purchasable upon exercise of such Warrants may be purchased; (9) the date on which the right to exercise such Warrants shall commence and the date on which such right shall expire; (10) the minimum or maximum amount of such Warrants which may be exercised at any one time; (11) information with respect to book-entry procedures, if any; (12) a discussion of certain federal income tax considerations; and (13) any other material terms of such Warrants, including terms, procedures and limitations relating to the exchange and exercise of such Warrants.

## FEDERAL INCOME TAX CONSIDERATIONS

The Company believes it has operated, and the Company intends to continue to operate, in such a manner as to qualify as a REIT under the Code, but no assurance can be given that it will at all times so qualify.

The provisions of the Code pertaining to REITs are highly technical and complex. The following is a brief and general summary of certain provisions that currently govern the federal income tax treatment of the Company and its stockholders. For the particular provisions that govern the federal income tax treatment of the Company and its stockholders, reference is made to Sections 856 through 860 of the Code and the regulations thereunder. The following summary is qualified in its entirety by such reference.

Under the Code, if certain requirements are met in a taxable year, a REIT generally will not be subject to federal income tax with respect to income that it distributes to its stockholders. If the Company fails to qualify during any taxable year as a REIT, unless certain relief provisions are available, it will be subject to tax (including any applicable alternative minimum tax) on its taxable income at regular corporate rates, which could have a material adverse effect upon its stockholders. See "Risk Factors-Risks of Failure to Qualify as a REIT."

In any year in which the Company qualifies to be taxed as a REIT, distributions made to its stockholders out of current or accumulated earnings and profits will be taxed to stockholders as ordinary income except that distributions of net capital gains designated by the Company as capital gain dividends will be taxed as long-term capital gain income to the stockholders. To the extent that distributions exceed current or accumulated earnings and profits, they will constitute a return of capital, rather than dividend or capital gain income, and will reduce the basis for the stockholder's Common Stock or Preferred Stock with respect to which the distribution is paid or, to the extent that they exceed such basis, will be taxed in the same manner as gain from the sale of that Common Stock or Preferred Stock. Beginning in 1998, the Company may elect to retain long-term capital gains and pay corporate-level income tax on them and treat the retained gains as if they had been distributed to stockholders. In such case, each stockholder would include in income, as long-term capital gain, its proportionate share of the undistributed gains and would be deemed to have paid its proportionate share of the tax paid by the Company with respect thereto. In addition, the basis for a stockholder's Common Stock or Preferred Stock would be increased by the amount of the undistributed long-term capital gain included in its income, less the amount of the tax it is deemed to have paid with respect thereto.

Investors are urged to consult their own tax advisors with respect to the appropriateness of an investment in the Securities offered hereby and with respect to the tax consequences arising under federal law and the laws of any state, municipality or other taxing jurisdiction, including tax consequences resulting from such investor's own tax characteristics. In particular, foreign investors should consult their own tax advisors concerning the tax consequences of an investment in the Company, including the possibility of United States income tax withholding on Company distributions.

### PLAN OF DISTRIBUTION

The Company and the Operating Partnership may sell the Securities to one or more underwriters for public offering and sale by them or may sell the Securities to investors directly or through agents. Any such underwriter or agent involved in the offer and sale of the Securities will be named in the applicable Prospectus Supplement.

Underwriters may offer and sell the Securities at a fixed price or prices, which may be changed, at prices related to the prevailing market prices at the time of sale or at negotiated prices. The Company and the Operating Partnership also may, from time to time, authorize underwriters acting as their agents to offer and sell the Securities upon the terms and conditions as are set forth in the applicable Prospectus Supplement. In connection with the sale of Securities, underwriters may be deemed to have received compensation from the Company or the Operating Partnership in the form of underwriting discounts or commissions and may also receive commissions from purchasers of Securities for whom they may act as agent. Underwriters may sell Securities to or through dealers, and such dealers may receive compensation in the form of discounts, concessions or commissions from the underwriters and/or commissions from the purchasers for whom they may act as agent.

Any underwriting compensation paid by the Company or the Operating Partnership to underwriters or agents in connection with the offering of Securities, and any discounts, concessions for commissions allowed by underwriters to participating dealers, will be set forth in the applicable Prospectus Supplement. Underwriters, dealers and agents participating in the distribution of the Securities may be deemed to be underwriters, and any discounts and commissions received by them and any profit realized by them on resale of the Securities may be deemed to be underwriting discounts and commissions, under the Securities Act. Underwriters, dealers and agents may be entitled, under agreements entered into with the Company and the Operating Partnership, to indemnification against and contribution toward certain civil liabilities, including liabilities under the Securities Act.

If so indicated in the applicable Prospectus Supplement, the Company and the Operating Partnership will authorize dealers acting as their agents to solicit offers by certain institutions to purchase Securities from them at the public offering price set forth in such Prospectus Supplement pursuant to Delayed Delivery Contracts ("Contracts") providing for payment and delivery on the date or dates stated in such Prospectus Supplement. Institutions with whom Contracts, when authorized, may be made include commercial and savings banks, insurance companies, pension funds, investment companies, educational and charitable institutions, and other institutions but will in all cases be subject to the approval of the Company and the Operating Partnership. Contracts will not

be subject to any conditions except that the purchase by an institution of the Securities covered by its Contracts shall not at the time of delivery be prohibited under the laws of any jurisdiction in the United States to which such institution is subject.

Certain of the underwriters and their affiliates may be customers of, engage in transactions with, and perform services for, the Company and the Operating Partnership and its subsidiaries in the ordinary course of business.

#### LEGAL MATTERS

The validity of the issuance of the Securities offered hereby and certain legal matters described under "Federal Income Tax Considerations" will be passed upon for the Company or the Operating Partnership, as the case maybe, by Brown & Wood LLP, New York, New York. Brown & Wood LLP may rely on Ballard Spahr Andrews & Ingersoll, Baltimore, Maryland, as to certain matters of Maryland law.

#### EXPERTS

The consolidated financial statements and schedule of Reckson Associates Realty Corp. as of December 31, 1997 and December 31, 1996 and for the years then ended and for the period June 3, 1995 to December 31, 1995 and the combined financial statements of the Reckson Group for the period January 1, 1995 to June 2 1995 appearing in the Company's Annual Report on Form 10-K for the year ended December 31, 1997; and the combined statement of revenues and certain expenses of the New Jersey Portfolio (as defined therein) for the year ended December 31, 1996, the combined statement of revenues and certain expenses for the Hauppauge Portfolio (as defined therein) for the year ended December 31, 1996 and the statement of revenues and certain expenses of the Uniondale Office Property (as defined therein), for the year ended December 31, 1996, appearing in the Company's Form 8-K, dated February 18, 1997; and the statement of revenues and certain expenses of 710 Bridgeport Avenue (as defined therein), for the year ended December 31, 1996 and the statement of revenues and certain expenses of the Shorthills Office Center (as defined therein), for the year ended December 31, 1996 appearing in the Company's Form 8-K dated June 12, 1997; and the statement of revenues and certain expenses of Garden City Plaza for the year ended December 31, 1996, appearing in the Company's Form 8-K dated September 9, 1997, and the statement of revenues and certain expenses of the Christiana Office Property (as defined therein) for the year ended June 30, 1997, appearing in the Company's Form 8-K dated February 10, 1998, and the statement of revenues and certain expenses of the Stamford Office Property (as defined therein) for the year ended December 31, 1997, appearing in the Company's Form 8-K dated March 24, 1998; and the statement of revenues and certain expenses of the Cappelli Portfolio for the year ended December 31, 1997, appearing in the Company's Form 8-K dated April 6, 1998, have in each case been audited by Ernst & Young LLP, independent auditors, as set forth in their reports thereon, included therein and incorporated herein by reference. Such consolidated and combined financial statements are incorporated herein by reference in reliance upon such reports given upon the authority of such firm as experts in accounting and auditing.

The consolidated financial statements and schedule of Reckson Operating Partnership L.P. as of December 31, 1997 and December 31, 1996 and for the years then ended and for the period June 3, 1995 to December 31, 1995 and the combined financial statements of Reckson Group for the period January 1, 1995 to June 2, 1995 appearing in this Registration Statement have been audited by Ernst & Young LLP, independent auditors, as set forth in their reports thereon appearing elsewhere herein and in the Registration Statement, and are included in reliance upon such reports given upon the authority of such firms as experts in accounting and auditing.

#### RECKSON OPERATING PARTNERSHIP, L.P. AND THE RECKSON GROUP

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Consolidated Statements of Partners' Capital for the six months ended June 30, 1998 (unaudited), the years ended December 31, 1997, 1996 and for the period from June 3, 1995 to December 31, 1995 and the Combined Statement of Owners' (Deficit) for the period from January 1, 1995 to June 2, 1995 .....	
Consolidated Statements of Cash Flows for the six months ended June 30, 1998, and 1997 (unaudited), the years ended December 31, 1997, 1996 and for the period from June 3, 1995 to December 31, 1995 and the Combined Statement of Cash Flows for the period January 1, 1995 to June 2, 1995 .....	
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#### SELECTED FINANCIAL DATA

## Reckson Operating Partnership, L.P.

## Reckson Group

	For the six months ended		For the year ended		for the Period June 3, 1995 to December 31, 1995(1)	For the year ended		
	June 30, 1998	June 30, 1997	December 31, 1997	December 31, 1996		for the Period January 1, 1995 to June 2, 1995(1)	1994	1993
<b>OPERATING DATA:</b>								
Revenues.....	\$121,329	\$67,858	\$153,348	\$96,030	\$38,455	\$20,889	\$56,931	\$60,347
Total expenses.....	91,278	47,046	107,639	70,935	27,892	20,695	55,685	67,580
Income (loss) before minority interests and extraordinary items	30,051	20,812	45,709	25,095	10,563	194	1,246	(7,233)
Minority interests.....	1,273	496	920	915	246	---	---	---
Extraordinary items - gain (loss)	---	(2,362)	(2,808)	(1,259)	(6,022)	---	4,434	41,190
Preferred distributions...	4,168	---	---	---	---	---	---	---
Net income available to common unit holders.....	24,610	17,954	41,981	22,921	4,295	194	5,680	33,957
<b>PER UNIT DATA: (2)</b>								
Net income per common unit:								
General Partner.....	\$ .51	\$ .48	\$ 1.06	\$ .87	\$ .22			
Limited Partners'.....	\$ .62	\$ .48	\$ 1.03	\$ .86	\$ .19			
<b>Weighted average common units outstanding</b>								
General Partner.....	38,914,000	30,455,000	32,727,000	19,928,000	14,678,000			
Limited Partners'.....	7,701,000	6,968,000	7,016,000	6,503,000	5,648,000			
<b>BALANCE SHEET DATA: (PERIOD END)</b>								
<b>Real estate, before accumulated</b>								
depreciation.....	\$1,540,195	\$ 705,496	\$1,015,282	\$519,504	\$290,712	---	\$162,192	---
Total assets.....	1,624,342	769,859	1,113,105	543,391	242,540	---	132,035	---
Mortgage notes payable....	236,776	165,527	180,023	161,513	98,126	---	180,286	---
Credit facility.....	298,250	113,000	210,250	108,500	40,000	---	---	---
Senior unsecured notes....	150,000	---	150,000	---	---	---	---	---
Market value of equity (3)..	1,393,077	950,061	1,141,592	653,606	303,943	---	---	---
Total market capitalization including debt (3 and 4)..	2,061,732	1,221,746	1,668,800	921,423	426,798	---	---	---
<b>OTHER DATA:</b>								
Funds from operations (5)..	\$46,871	\$31,457	\$69,619	\$40,938	\$17,190	---	---	---
Total square feet (at end of period).....	19,438	10,976	13,645	8,800	5,430	4,529	4,529	4,529
Number of properties (at end of period).....	191	130	155	110	81	72	72	72

- (1) Represents certain financial information on a consolidated historical basis for Reckson Operating Partnership, L. P., and on a combined historical basis for the Reckson Group.
- (2) Based on the weighted average units outstanding for the period then ended.
- (3) Based on the market value of the Operating Partnership's common units, the stated value of the Operating Partnership's preferred units and the number of units outstanding at the end of the period.
- (4) Debt amount is net of minority partners' proportionate share of Omni debt plus the Company's share of joint venture debt.
- (5) See "Management's Discussion and Analysis" for a discussion of funds from operations.

**MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

The following discussion should be read in conjunction with the accompanying Consolidated Financial Statements of Reckson Operating Partnership, L. P. (the "Operating Partnership") and the combined financial statements of the Reckson Group and related notes.

**OVERVIEW AND BACKGROUND**

The Reckson Group, the predecessor to the Company (the "Predecessor"), was engaged in the ownership, management, operation, leasing and development of commercial real estate properties, principally office and industrial buildings, and also owned certain undeveloped land located primarily on Long Island, New York. The Operating Partnership commenced operations on June 2, 1995 and is the successor to the operations of the Reckson Group. The sole general partner in the Operating Partnership, Reckson Associates Realty Corp. (the "Company") is a self administered and self managed Real Estate Investment Trust ("REIT"). During June 1995 the Company contributed approximately \$162 million in cash to the Operating Partnership in exchange for an approximate 73% general partnership interest. As a result, the Operating Partnership owned or had an interest in 72 properties (including one joint venture property).

At June 30, 1998, the Operating Partnership's portfolio of real estate properties included 69 office buildings containing approximately 9.6 million square feet, 120 industrial buildings containing approximately 9.8 million square feet and two retail properties containing approximately 20,000 square feet.

Subsequent to June 2, 1995, the Operating Partnership has acquired or contracted to acquire approximately \$1.3 billion of Class A suburban office and industrial properties encompassing approximately 12.8 million square feet located in the New York City Tri-State Area of Long Island, Westchester, Southern Connecticut and Northern. In that regard, the Operating Partnership has acquired 13 office Properties and 32 industrial Properties encompassing approximately 2.1 million and 2.5 million square feet, respectively, located on Long Island for an aggregate purchase price of approximately \$300 million. In February 1996, the Operating Partnership established its Westchester Division with the acquisition of an eight building 935,000 square foot Class A office portfolio and associated management and construction operations for an aggregate purchase price of approximately \$79 million. Since its initial investment in Westchester the Operating Partnership has acquired 17 office properties encompassing approximately 2.4 million square feet and three industrial properties encompassing approximately 163,000 square feet for an aggregate purchase price of approximately \$305 million. In October 1996, the Operating Partnership established its Southern Connecticut Division with the purchase of Landmark Square, a six building office complex encompassing approximately 800,000 square feet located in Stamford, Connecticut for an aggregate purchase price of approximately \$77 million. Since its initial investment in Southern Connecticut the Company has acquired two office properties and one industrial property encompassing approximately 317,000 and 452,414 square feet, respectively, for a purchase price of approximately \$89 million. In May 1997, the Operating Partnership acquired five Class A suburban office properties encompassing approximately 496,000 square feet located in Northern New Jersey for an aggregate purchase price of approximately \$56.9 million and, in connection with this acquisition, established its Northern New Jersey Division. Since its initial investment in Northern New Jersey the Operating Partnership has acquired 12 office properties encompassing approximately 1.5 million square feet and seven industrial properties encompassing approximately 1.1 million square feet for an aggregate purchase price of approximately \$232 million. Additionally, the Operating Partnership has invested approximately \$12 million for approximately 81 acres of land located in Long Island, approximately 39 acres of land located in Westchester and 668 acres of land located in New Jersey which allows for approximately 7.7 million square feet of future development opportunities. In addition, the Operating Partnership has invested approximately \$47.3 million in certain mortgage indebtedness encumbering four Class A office properties on Long Island encompassing approximately 577,000 square feet, a 400 acre parcel of land located in New Jersey and in a note receivable secured by a partnership interest in Omni partners, L.P., owner of a 575,000 square foot, Class A office property located in Uniondale, New York. In October 1997, the Operating Partnership entered into an agreement to invest \$150 million in the Morris Companies, a New Jersey developer and owner of "Big Box" warehouse facilities. The Morris Companies' properties include 23 industrial buildings encompassing approximately 4.0 million square feet. In connection with the transaction the Morris Companies contributed 100% of their interests in certain industrial properties to Reckson Morris Operating Partnership, L.P. ("RMI") in exchange for operating partnership units in RMI. On January 6, 1998, the Operating Partnership acquired an approximate 70% controlling interest in RMI for approximately \$65 million. In addition, at June 30, 1998, the Company had advanced approximately \$17.7 million to the Morris Companies primarily to fund certain construction costs related to development properties to be contributed to RMI.

During 1997, the Company formed Reckson Service Industries, Inc. ("RSI") and Reckson Strategic Venture Partners, LLC ("RSVP"). The Operating Partnership owned a 95% non voting common stock interest in RSI through June 10, 1998. RSI serves as the managing member of RSVP. RSI invests in operating companies that generally provides commercial services to properties owned by the Operating Partnership and its tenants and third parties. RSVP was formed to provide the Operating Partnership with a "research and development" vehicle to invest in alternative real estate sectors. RSVP invests primarily in real estate and real estate related operating companies generally outside of the Operating Partnership's core office and industrial focus. RSVP's strategy is to identify and acquire interests in established entrepreneurial enterprises with experienced management teams in market sectors which are in the early stages of their growth cycle or offer unique circumstances for attractive investments as well as a platform for future investments. The research and development vehicle enables the Operating Partnership to minimize its investment risks during the early stages of an investment. The vehicle permits the Operating Partnership to monitor the long-term potential for each investment. As later stage capital is required, the Operating Partnership will determine the prudence of additional investment and the potential for incorporating it as a core business line. Following the spin off of RSI the Company will make investments with RSVP on a joint venture basis. To facilitate investment by RSVP, the Operating Partnership has committed \$100 million of initial capital. In addition, RSVP has obtained a \$200 million preferred equity facility from Paine Webber Real Estate Securities ("PWRES") and a PWRES/George Soros sponsored fund. At June 30, 1998, the Operating Partnership had made loans to RSI and RSVP aggregating approximately \$21.8 million and \$7.6 million, respectively in connection with start up costs and certain initial investments.

On June 11, 1998, the Operating Partnership distributed its 95% net non-voting common stock interest in RSI of approximately \$3 million to its partners. Additionally, during June 1998, the Operating Partnership established a credit facility with RSI (the "RSI Facility") in the amount of \$100 million for RSI's service sector operations and other general corporate purposes. The Operating Partnership also established a credit facility with RSI for the funding of investments of up to \$100 million with or in RSVP (the "RSVP Facility").

In July 1998, the Company announced the formation of a joint venture, Metropolitan Partners LLC, a Delaware limited liability company ("Metropolitan Partners"), controlled equally by the Operating Partnership and Crescent Real Estate Equities Company, a Texas real estate investment trust ("Crescent"). Pursuant to a merger agreement, executed on July 9, 1998 and amended and restated on August 11, 1998 (the "Merger Agreement") between Metropolitan Partners, the Company and Crescent and Tower Realty Trust Inc., a Maryland corporation ("Tower"), Metropolitan Partners agreed, subject to the terms and conditions of the Merger Agreement, to purchase the common stock of Tower.

Prior to the execution of the Merger Agreement, Metropolitan Partners identified certain tax issues regarding Tower's operations. Metropolitan Partners entered into the Merger Agreement only after Tower made detailed representations and warranties purporting to address these issues. In the course of due diligence, however, Metropolitan Partners, the Company and Crescent discovered that these representations and warranties may not be correct and discussed these concerns with Tower, specifically advising Tower that they were not terminating the Merger Agreement at that time. Metropolitan Partners, the Company and Crescent invited Tower to respond to these concerns. However, on November 2, 1998, Tower filed a compliant in the Supreme Court of the State of New York alleging Metropolitan Partners, the Company and Crescent willfully breached the Merger Agreement. Tower is seeking declaratory and other relief, including damages of not less than \$75 million and specific performance by Metropolitan Partners, the Company and Crescent of their obligations under the Merger Agreement. Although management believes the Company has meritorious defenses to this action, there can be no assurance as to the impact of this action on the Company's operations and/or financial condition.

The market capitalization of the Operating Partnership at June 30, 1998 was approximately \$2.1 billion. The Operating Partnership's market capitalization is calculated based on the value of the Operating Partnership's common units (which, for this purpose, is assumed to be the same per unit as the value of a share of the Company's common stock) and the stated values of the Operating Partnership's preferred units and the \$688.7 million (including its share of joint venture debt and net of minority partners' interest) of debt outstanding at June 30, 1998. As a result, the Operating Partnership's total debt to total market capitalization ratio at June 30, 1998 equaled approximately 32.4%.

#### RESULTS OF OPERATIONS

##### SIX MONTHS ENDED JUNE 30, 1998 COMPARED TO SIX MONTHS ENDED JUNE 30, 1997:

The Operating Partnership's total revenues increased by \$53.5 million or 79% for the six months ended June 30, 1998 as compared to the 1997 period. The growth in total revenues is substantially attributable to the Operating Partnership's acquisition of 81 properties comprising approximately 10.6 million square feet. Property operating revenues, which include base rents and tenant escalations and reimbursements ("Property Operating Revenues") increased by \$51.3 million or 80% for the six months ended June 30, 1998 as compared to the 1997 period. The 1998 increase in Property Operating Revenues is comprised of \$1.4 million attributable to increases in rental rates and changes in occupancies and \$49.9 million attributable to acquisitions of properties. The remaining balance of the increase in total revenues in 1998 is primarily attributable to interest income on the Operating Partnership's investments in mortgage notes and notes receivable. The Operating Partnership's base rent was increased by the impact of the straight-line rent adjustment by \$3.6 million for the six months ended June 30, 1998 as compared to \$2.3 million for the 1997 period.

Property operating expenses, real estate taxes and ground rents ("Property Expenses") increased by \$17.2 million for the six months ended June 30, 1998 as compared to the 1997 period. These increases are primarily due to the acquisition of properties. Gross operating margins (defined as Property Operating Revenues less Property Expenses, taken as a percentage of Property Operating Revenues) for 1998 and 1997 were 65.5% and 64.7%, respectively. The increase in gross operating margins reflects increases realized in rental rates, the Operating Partnership's ability to realize certain operating efficiencies as a result of operating a larger portfolio of properties with a concentration of properties in office and industrial parks or in its established sub-markets and increased ownership of net leased properties including the impact of the RMI properties.

Marketing, general and administrative expenses increased by \$2.8 million for the six months ended June 30, 1998 as compared to the 1997 period. The increase is due to the increased costs of managing the acquisition properties, the costs of opening the Operating Partnership's Northern New Jersey division, costs associated with the management of the RMI assets, and the increase in corporate management and administrative costs associated with the growth of the Operating Partnership. Marketing, general and administrative expenses as a percentage of total revenues were 5.6% for the six months ended June 30, 1998 and 1997.

Interest expense increased by \$12.9 million for the six months ended June 30, 1998 as compared to the 1997 period. The increase is attributable to an increase in mortgage debt including the refinancing of the Omni in the amount of \$58 million in August 1997, the assumption of approximately \$14.8 million of mortgage indebtedness in connection with the Operating Partnership's investment in RMI, the assumption of approximately \$45.1 million of mortgage indebtedness in connection with the Cappelli acquisition, increased cost attributable to an increased average balance on the Operating Partnership's credit facilities and interest on the Operating partnership's \$150 million of senior unsecured notes. The weighted average balance outstanding on the Operating Partnership's credit facilities was \$311.5 million for the six months ended June 30, 1998 as compared to \$92.5 million for the 1997 period.

COMPARISONS FOR THE YEARS ENDED DECEMBER 31, 1997 TO 1996 AND DECEMBER 31, 1996 TO 1995:



For discussion purposes, the results of operations for the year ended December 31, 1995 combine the operating results of the Predecessor (excluding results of properties not transferred to the Operating Partnership) for the period January 1, 1995 to June 2, 1995.

The Operating Partnership's total revenues increased by \$57.3 million or 60% from 1996 to 1997 and \$36.7 million or 62% from 1995 to 1996. The growth in total revenues is substantially attributable to the Operating Partnership's acquisition of 46 properties comprising approximately 4.9 million square feet in 1997 and 29 properties comprising approximately 3.3 million square feet in 1996 and nine properties comprising approximately 900,000 square feet in 1995. Property Operating Revenues, increased by \$51 million or 55% from 1996 to 1997 and by \$35.6 million or 62% from 1995 to 1996. The 1997 increase in Property Operating Revenues is comprised of \$2.1 million attributable to increases in rental rates and changes in occupancies and \$48.9 million attributable to acquisitions of properties. The 1996 increase in Property Operating Revenues is comprised of \$6.6 million attributable to increases in rental rates and changes in occupancies and \$29 million attributable to acquisitions of properties. The remaining balance of the increase in total revenues in 1997 is primarily attributable to interest income on the Operating Partnership's investments in mortgage notes and notes receivable. The increase from 1996 to 1997 was offset by a decrease in the equity in earnings of service companies as a result of the management and construction companies focusing most of their resources on the Operating Partnership's core portfolio and redevelopment opportunities rather than third party services. The Operating Partnership base rent was increased by the impact of the straight-line rent adjustment by \$4.5 million in 1997, \$3.8 million in 1996 and \$2.8 million in 1995.

Property Expenses, increased by \$16.8 million from 1996 to 1997 and by \$12.9 million from 1995 to 1996. These increases are primarily due to the acquisition of properties. Gross operating margins for 1997, 1996 and 1995 were 64.7%, 63.4% and 63.2%, respectively. The increases in gross operating margins reflects increases realized in rental rates, the Operating Partnership's ability to realize certain operating efficiencies as a result of operating a larger portfolio of properties with concentrations of properties in office and industrial parks or in its established sub-markets, and to a lesser extent increased ownership of net leased properties.

Marketing, general and administrative expenses were \$8.0 million in 1997, \$5.9 million in 1996 and \$3.7 million in 1995. The increase in marketing, general and administrative expenses is due to the increased costs of managing the acquisition properties, the cost of opening and maintaining the Company's Westchester, Southern Connecticut and Northern New Jersey divisions and the increase in corporate management and administrative costs associated with the growth of the Company. Marketing, general and administrative expenses as a percentage of total revenues were 5.2% in 1997, 6.1% in 1996 and 6.3% in 1995.

Interest expense was \$21.6 million in 1997, \$13.3 million in 1996 and \$12.9 million in 1995. The increase of \$8.3 million from 1996 to 1997 is attributable to an increase in mortgage debt including a \$50 million mortgage note incurred in connection with the acquisition of Landmark Square in October 1996, the refinancing of Omni in the amount of \$58 million in August 1997, increased interest cost attributable to an increased average balance on the Operating Partnership's credit facilities and interest on the Operating Partnership's \$150 million of senior unsecured notes (the "Senior Unsecured Notes"). The weighted average balance outstanding on the Operating Partnership's credit facilities was \$103.2 million for 1997, \$71.2 million for 1996 and \$24.8 million for the period from June 3, 1995 to December 31, 1995.

Included in amortization expense is amortized finance costs of \$.80 million in 1997, \$.53 million in 1996 and \$.52 million for the period June 3, 1995 to December 31, 1995. The increase of \$.27 million from 1996 to 1997 was the result of the amortization of financing costs associated with the Unsecured Credit Facility, the Landmark Square mortgage, the Omni refinanced mortgage and the Senior Unsecured Notes.

Extraordinary items resulted in a \$2.8 million loss in 1997, a \$1.3 million loss in 1996 and a \$6.0 million loss for the period June 3, 1995 to December 31, 1995. In 1997, the extraordinary items were attributable to the write off of certain deferred loan costs incurred in connection with the Company's secured credit facility which was terminated in April 1997. In 1996, the extraordinary item was attributable to the write-off of certain deferred loan costs incurred in connection with the secured credit facility which was substantially modified and restated in February 1996.

#### LIQUIDITY AND CAPITAL RESOURCES

##### SUMMARY OF CASH FLOWS

Net cash provided by operating activities totaled \$73.4 million in 1997, \$40.9 million in 1996 and \$19.0 million in 1995. Increases for each year were primarily attributable to the growth in cash flow provided by the acquisition of properties and to a lesser extent from interest income from mortgage notes and notes receivable.

Net cash used by investing activities totaled \$547 million in 1997, \$273.7 million in 1996 and \$79.0 million in 1995. Cash used in investing activities related primarily to investments in real estate properties including development costs and investments in mortgage notes and notes receivable.

Net cash provided by financing activities totaled \$482.9 million in 1997, \$238.3 million in 1996 and \$62.7 million in 1995. Cash provided by financing activities during 1997 and 1996 was primarily attributable to proceeds from general partner contributions and draws on the Company's credit facilities and additionally, in 1997, proceeds from the issuance of the Senior Unsecured Notes.

#### INVESTING ACTIVITIES

During 1997, the Operating Partnership acquired (I) on Long Island, five office properties encompassing an aggregate of approximately 881,000 square feet for approximately \$87.5 million and 15 industrial properties encompassing approximately 968,000 square feet for approximately \$43.5 million; (ii) in Westchester, eight office properties encompassing approximately 830,000 square feet for approximately \$109.4 million and three industrial properties encompassing approximately 163,000 square feet for approximately \$8.0 million; (iii) in Connecticut, one industrial property encompassing 452,000 square feet for approximately \$27.0 million and (iv) in Northern New Jersey, five Class A office properties including Executive Hill Office Park encompassing approximately 496,000 square feet for approximately \$56.9 million. Additionally, in New Jersey the Operating Partnership acquired eight office properties encompassing approximately 1.5 million square feet for \$153 million and one industrial property encompassing approximately 128,000 square feet for \$2.8 million. During 1997, the Operating Partnership invested \$29 million in mortgage notes receivable encumbering one Class A office property, one industrial property and a 400 acre parcel of land. In addition, on March 13, 1997, the Operating Partnership loaned \$17 million to its minority partner in Omni, its flagship Long Island office property, and effectively increased its economic interest in the property owning partnership.

#### FINANCING ACTIVITIES

During June 1995, the Company contributed approximately \$162 million in cash to the Operating Partnership in exchange for 7,438,000 units representing an approximate 73% general partnership interest. During 1996 and 1997 the Company contributed approximately \$437 million in cash to the Operating Partnership in exchange for 22,421,200 additional units. Proceeds from the contributions were primarily used to repay borrowings under the credit facilities and to fund the purchase of commercial real estate properties.

During the six months ended June 30, 1998, the Company contributed approximately \$44.4 million in cash to the Operating Partnership in exchange for 1,884,896 units. Proceeds from the contributions were used to repay borrowings under the credit facilities.

Additionally, during April 1998, the Company contributed approximately \$221 million to the Operating Partnership in exchange for 9,200,000 Series A preferred units. The Series A preferred units have a liquidation preference of \$25 per unit, a distribution rate of 7 5/8% and are convertible to the Operating Partnership's common units at a conversion rate of .8769 common units for each preferred unit. Net proceeds from the contribution were used to repay borrowings under credit facilities.

On January 7, 1997, the Operating Partnership issued 101,902 units in connection with the acquisition of a 147,281 square foot office property located in Farmingdale, New York.

During August 1997, the Operating Partnership refinanced approximately \$43 million of mortgage debt on its Omni office property with a \$58 million fixed rate mortgage loan. The loan which matures on September 1, 2007 has a fixed rate of 7.72%.

On August 28, 1997, the Operating Partnership sold \$150 million of 7.2% Senior Unsecured notes due August 2007. The net proceeds of the Senior Unsecured notes were used to repay borrowings under the unsecured credit facilities and for the acquisitions of properties.

During 1997, the Operating Partnership paid distributions of \$1.54 per unit (representing distributions for five quarters).

On January 6, 1998, the Operating Partnership issued 513,259 units in connection with the acquisition of one office property, located in Uniondale, New York.

On April 21, 1998, the Operating Partnership issued 25,000 Series B preferred units at a stated value of \$1,000 per unit and 11,518 Series C preferred units at a stated value of \$1,000 per unit in connection with the acquisition of the Cappelli Portfolio. The Series B preferred units have a current distribution rate of 6.25% and are convertible to common units at a conversion price of approximately \$32.51 for each preferred unit. The Series C preferred units have a current distribution rate of 6.25% and are convertible to common units at a conversion price of approximately \$29.39 for each preferred unit.

Additionally, on April 21, 1998, in connection with the acquisition of 155 Passaic Avenue in Fairfield, New Jersey, the Operating Partnership issued 1,979 units.

On July 2, 1998, the Operating Partnership issued 6,000 Series D preferred units at a stated value of \$1,000 per unit in connection with the acquisition of the remaining 50% interest in 360 Hamilton Avenue located in White Plains, New York. The Series D preferred units have a current distribution rate of 6.25% and are convertible to common units at a conversion price of approximately \$29.12 for each preferred unit.

As of June 30, 1998, the Operating Partnership had a three-year \$250 million unsecured credit facility from a bank group led by Chase Manhattan Bank and Union Bank of Switzerland (the "Unsecured Credit Facility"). The Operating Partnership's ability to borrow thereunder is subject to the satisfaction of certain financial covenants, including covenants relating to limitations on unsecured and secured borrowings, minimum interest and fixed charge coverage ratios, a minimum equity value and a maximum dividend payout ratio. In addition, borrowings under the Unsecured Credit Facility bear interest at a floating rate equal to one, two, three or six month LIBOR (at the Operating Partnership's election) plus a spread ranging from 1.125% to 1.50%, based on the Operating Partnership's leverage ratio. The Operating Partnership utilizes the Unsecured Credit Facility primarily to finance the acquisitions of properties and other real estate investments, fund its

development activities and for working capital purposes. At June 30, 1998, the Operating Partnership had availability under the Unsecured Credit Facility to borrow an additional \$96.3 million (net of \$7.7 million of outstanding undrawn letters of credit). In addition, the Operating Partnership obtained a \$200 million unsecured credit facility (the "Bridge Facility") which matured on July 15, 1998. The Bridge Facility was provided by the two lead members of the Unsecured Credit Facility bank group and served as interim financing while the Operating Partnership sought to expand the availability under the Unsecured Credit Facility. At June 30, 1998, the Operating Partnership had availability under the Bridge Facility to borrow an additional \$47.75 million.

On July 23, 1998, the Operating Partnership obtained a \$500 million unsecured revolving credit facility (the "Credit Facility") with Chase Manhattan Bank, Union Bank of Switzerland and PNC Bank as co-managers of the credit facility bank group. This Credit Facility replaces both the Unsecured Credit and Bridge Facilities. Interest rates on borrowings under the Credit Facility will be priced off of LIBOR plus a sliding scale ranging from 112.5 basis points to 137.5 basis points based on the leverage ratio of the Operating Partnership. Upon the Operating Partnership receiving an investment grade rating on its senior unsecured debt by two rating agencies, the pricing is adjusted based off of LIBOR plus a scale ranging from 65 basis points to 90 basis points depending upon the rating.

The Operating Partnership's indebtedness at June 30, 1998 totaled \$668.7 million (including its share of joint venture debt and net of the minority partners' interests) and was comprised of \$146 million outstanding under the Unsecured Credit Facility, \$152.25 million outstanding under the Bridge Facility, \$150 million of unsecured notes and approximately \$220.45 million of mortgage indebtedness. Based on the Operating Partnership's total market capitalization of approximately \$2.1 billion at June 30, 1998, (calculated based on the value of the Operating Partnership's common units (which, for this purpose, is assumed to be the same per unit as the value of a share of the Company's common stock), the stated value of the Operating Partnership's preferred units), the Operating Partnership's debt represented approximately 32.4% of its total market capitalization.

Historically, rental revenue has been the principal source of funds to pay operating expenses, debt service and capital expenditures, excluding non-recurring capital expenditures of the Operating Partnership. In addition, construction, management, maintenance, leasing and property management fees have provided sources of cash flow. The Operating Partnership expects to meet its short-term liquidity requirements generally through its net cash provided by operating activities along with the Unsecured Credit Facility previously discussed. The Operating Partnership expects to meet certain of its financing requirements through long-term secured and unsecured borrowings and the issuance of debt securities and additional equity securities of the Operating Partnership. The Operating Partnership will refinance existing mortgage indebtedness or indebtedness under the Unsecured Credit Facility at maturity or retire such debt through the issuance of additional debt securities or additional equity securities. The Operating Partnership anticipates that the current balance of cash and cash equivalents and cash flows from operating activities, together with cash available from borrowings and equity offerings, will be adequate to meet the capital and liquidity requirements of the Operating Partnership in both the short-and long-term.

At June 30, 1998, the Operating Partnership had three office buildings totaling approximately 712,000 square feet and four industrial buildings totaling approximately 442,000 square feet under construction whereby the Operating Partnership anticipates costs to complete of approximately \$57.6 million.

#### INFLATION

Certain office leases provide for fixed base rent increases or indexed escalations. In addition, certain office leases provide for separate escalations of real estate taxes and electric costs over a base amount. The industrial leases also generally provide for fixed base rent increases, direct pass through of certain operating expenses and separate real estate tax escalation over a base amount. The Operating Partnership believes that inflationary increases in expenses will generally be offset by contractual rent increases and expense escalations described above.

The Unsecured Credit Facility bears interest at a variable rate, which will be influenced by changes in short-term interest rates, and is sensitive to inflation.

#### IMPACT OF YEAR 2000

Some of the Operating Partnership's older computer programs were written using two digits rather than four to define the applicable year. As a result, those computer programs have time-sensitive software that recognizes a date using "00" as the year 1900 rather than the year 2000. This could cause a system failure or miscalculation causing disruptions of operations, including, among other things, a temporary inability to process transactions, or engage in similar normal business activities.

The Operating Partnership has completed an assessment to modify or replace portions of its software so that its computer systems will function properly with respect to dates in the year 2000 and thereafter. Currently, the entire property management system is year 2000 compliant and has been thoroughly tested. Since the Operating Partnership's accounting software is maintained and supported by a third party, the total year 2000 project cost is estimated to be minimal.

The year 2000 project is estimated to be completed not later than July 31, 1999, which is prior to any anticipated impact on its operating systems. Additionally, the Operating Partnership has received assurances from its contractors that all of the Operating Partnership's building management and mechanical systems are currently year 2000 compliant or will be made compliant prior to any impact on those systems. However, the Operating Partnership

cannot guarantee that all contractors will comply with their assurances and therefore, the Operating Partnership may not be able to determine year 2000 compliance of those contractors. At that time, the Operating Partnership will determine the extent to which the Operating Partnership will be able to replace non compliant contractors. The Operating Partnership believes that with modifications to existing software and conversions to new software, the year 2000 issue will not pose significant operational problems for its computer systems. However, if such modifications and conversions are not made, or are not completed timely, the year 2000 issue could have a material impact on the operations of the Operating Partnership.

The costs of the project and the date on which the Operating Partnership believes it will complete the year 2000 modifications are based on management's best estimates, which were derived utilizing numerous assumptions of future events, including the continued availability of certain resources and other factors. However, there can be no guarantee that these estimates will be achieved and actual results could differ materially from those anticipated. Specific factors that might cause such material differences include, but are not limited to, the availability and costs of personnel trained in this area, the ability to locate and correct all relevant computer codes, and similar uncertainties.

If the Operating Partnership is not successful in implementing their year 2000 compliance plan, the Operating Partnership may suffer a material adverse impact on their consolidated results of operations and financial condition. Because of the importance of addressing the year 2000 issue, the Operating Partnership expects to develop contingency plans if they determine that the compliance plans will not be implemented by July 31, 1999.

FUNDS FROM OPERATIONS

Management believes that funds from operations ("FFO") is an appropriate measure of performance of an equity REIT. FFO is defined by the National Association of Real Estate Investment Trusts (NAREIT) as net income or loss, excluding gains or losses from debt restructurings and sales of properties, plus depreciation and amortization, and after adjustments for unconsolidated partnerships and joint ventures. FFO does not represent cash generated from operating activities in accordance with generally accepted accounting principles and is not indicative of cash available to fund cash needs. FFO should not be considered as an alternative to net income as an indicator of the Operating Partnership's operating performance or as an alternative to cash flow as a measure of liquidity. (See Selected Financial Data). In March 1995, NAREIT issued a "White Paper" analysis to address certain interpretive issues under its definition of FFO. The White Paper provides that amortization of deferred financing costs and depreciation of non-rental real estate assets are no longer to be added back to net income to arrive at FFO.

Since all companies and analysts do not calculate FFO in a similar fashion, the Operating Partnership's calculation of FFO presented herein may not be comparable to similarly titled measures as reported by other companies.

The following table presents the Operating Partnership's FFO calculation (in thousands):

	Six Months Ended		Year Ended		June 3, 1995 to December 31, 1995
	June 30, 1998	June 30, 1997	December 31, 1997	December 31, 1996	
	(unaudited)	(unaudited)			
Income before extraordinary items.....	\$ 24,610	\$20,316	\$44,789	\$24,180	\$10,317
Less:					
Extraordinary loss.....	---	2,362	2,808	1,259	6,022
Net Income.....	24,610	17,954	41,981	22,921	4,295
Adjustment for Funds From Operations					
Add:					
Depreciation and Amortization.....	22,787	11,836	26,834	17,429	7,233
Minority interests in consolidated partnership.....	1,273	496	920	915	246
Extraordinary loss.....	---	2,362	2,808	1,259	6,022
Less:					
Gain on sale of property.....	---	---	672	---	---
Amount distributed to minority partners in consolidated partnerships.....	1,799	1,191	2,252	1,586	606
Funds From Operations (FFO).. =====	\$ 46,871	\$ 31,457	\$69,619	\$40,938	\$17,190
Weighted average units outstanding .....	46,615	37,423	39,743	26,431	20,326
	=====	=====	=====	=====	=====

REPORT OF INDEPENDENT AUDITORS

To the Partners

We have audited the accompanying consolidated balance sheets of Reckson Operating Partnership, L. P. (the "Operating Partnership") as of December 31, 1997 and 1996, and the related consolidated statements of income, partners' capital, and cash flows for the years then ended and for the period from June 3, 1995 (commencement of operations) to December 31, 1995 and the related combined statement of income, owners' (deficit) and cash flows for the period January 1, 1995 to June 2, 1995 of the Reckson Group. We have also audited the financial statement schedule listed in the Index. These financial statements and financial statement schedule are the responsibility of the Operating Partnership's management. Our responsibility is to express an opinion on these financial statements and financial statement schedule based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Reckson Operating Partnership, L. P. at December 31, 1997 and 1996, and the consolidated results of operations and cash flows for the years then ended and for the period June 3, 1995 (commencement of operations) to December 31, 1995 and the combined results of operations and cash flows for the period January 1, 1995 to June 2, 1995 of the Reckson Group in conformity with generally accepted accounting principles. Also, in our opinion, the financial statement schedule referred to above, when considered in relation to the basic financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

ERNST & YOUNG LLP

New York, New York  
February 13, 1998

RECKSON OPERATING PARTNERSHIP, L. P.  
CONSOLIDATED BALANCE SHEETS  
(IN THOUSANDS)

	June 30,	December 31,	
	1998	1997	1996
	-----	-----	-----
	(unaudited)		
ASSETS			
Commercial real estate properties, at cost- (Notes 2, 3, 5, 7 and 8 )			
Land.....	\$ 191,847	\$ 138,526	\$ 45,259
Buildings and improvements.....	1,245,715	818,229	457,403
Developments in progress:			
Land.....	16,503	29,309	5,637
Development costs.....	81,299	25,164	8,469
Furniture, fixtures and equipment.....	4,831	4,054	2,736
	-----	-----	-----
Less accumulated depreciation.....	1,540,195	1,015,282	519,504
	(132,399)	(111,068)	(88,602)
	-----	-----	-----
Investments in real estate joint ventures.....	1,407,796	904,214	430,902
Investment in mortgage notes and notes receivable (Note 8).....	11,628	7,223	5,437
Cash and cash equivalents (Note 12).....	84,674	104,509	51,837
Tenant receivables.....	2,821	21,676	12,321
Affiliate receivables (Note 7).....	4,062	4,975	1,732
Deferred rent receivable.....	56,171	18,090	3,826
Prepaid expenses and other assets (Note 7).....	19,098	14,973	12,573
Contract and land deposits and pre-acquisition costs.....	15,467	13,705	6,225
Deferred lease and loan costs, less accumulated amortization of \$13,899, \$14,844 and \$12,915 respectively.....	3,088	7,559	7,100
	-----	-----	-----
Total Assets.....	\$1,624,342	\$1,113,105	\$ 543,391
	=====	=====	=====
LIABILITIES			
Mortgage notes payable (Note 2).....	\$ 236,776	\$ 180,023	\$161,513
Credit facilities (Notes 3 and 12).....	298,250	210,250	108,500
Senior unsecured notes ( Note 4).....	150,000	150,000	---
Accrued expenses and other liabilities (Note 5).....	36,053	30,799	15,867
Dividends and distributions payable.....	20,461	120	9,442
Affiliate payables (Note 7).....	2,341	1,764	1,128
	-----	-----	-----
Total Liabilities.....	743,881	572,956	296,450
	-----	-----	-----
Commitments and other comments (Notes 9, 10 and 12).....	---	---	---

Minority interest in consolidated partnership	35,685	7,697	10,264
PARTNERS' CAPITAL (NOTE 6)			
Preferred Capital, 9,236,518, -, and - units outstanding, respectively.....	257,318	---	---
General Partner's Capital, 39,991,745, 37,770,158 and 24,356,354 units outstanding, respectively.....	455,293	446,702	184,798
Limited Partners' Capital, 7,693,310, 7,218,688 and 6,763,010 units outstanding respectively.....	132,165	85,750	51,879
Total Partners' Capital.....	844,776	532,452	236,677
Total Liabilities and Partners' Capital.....	\$ 1,624,342	\$ 1,113,105	\$ 543,391

(see accompanying notes to financial statements)

RECKSON OPERATING PARTNERSHIP, L. P.  
CONSOLIDATED STATEMENTS OF INCOME  
AND RECKSON GROUP  
COMBINED STATEMENT OF INCOME  
(IN THOUSANDS, EXCEPT UNIT DATA)

	Reckson Operating Partnership, L. P.				Reckson Group	
	for the six months ended		for the year ended		For the Period June 3, 1995 to December 31, 1995	For the Period January 1, 1995 to June 2, 1995
	June 30, 1998 (unaudited)	June 30, 1997 (unaudited)	December 31, 1997	December 31, 1996		
REVENUES (Note 10):						
Base rents.....	\$102,571	\$ 57,751	\$128,778	\$82,150	\$32,661	\$16,413
Tenant escalations and reimbursements.....	13,113	6,585	14,981	10,628	5,246	2,907
Construction revenues - net.....	---	---	---	---	---	432
Management revenues.....	---	---	---	---	---	589
Equity in earnings of service companies.....	392	201	55	1,031	100	---
Equity in earnings of real estate joint ventures.....	273	142	459	266	---	---
Interest income on mortgage notes and notes receivable.....	3,453	1,889	5,437	---	---	---
Investment and other income (Note 8).....	1,527	1,290	3,638	1,955	448	548
Total Revenues.....	121,329	67,858	153,348	96,030	38,455	20,889
EXPENSES:						
Property operating expenses....	22,018	12,733	28,943	18,959	7,144	3,985
Real estate taxes.....	17,036	9,370	20,579	13,935	5,755	3,390
Ground rents.....	845	609	1,269	1,107	579	234
Marketing, general and administrative.....	6,618	3,794	8,026	5,933	1,850	1,858
Interest.....	21,497	8,583	21,585	13,331	5,331	7,622
Depreciation and amortization...	23,264	11,957	27,237	17,670	7,233	3,606
Total Expenses.....	91,278	47,046	107,639	70,935	27,892	20,695
Income before distributions to preferred unit holders, minority interests and extraordinary items.....	30,051	20,812	45,709	25,095	10,563	194
Preferred unit distributions....	(4,168)	---	---	---	---	---
Minority partners' interest in consolidated partnerships income.....	(1,273)	(496)	(920)	(915)	(246)	---
Income before extraordinary items.....	24,610	20,316	44,789	24,180	10,317	194
Extraordinary items - (loss) on extinguishment of debts. (Notes 1 and 3)....	---	(2,362)	(2,808)	(1,259)	(6,022)	---
Net income available to common unit holders.....	24,610	\$ 17,954	\$ 41,981	\$ 22,921	\$ 4,295	\$194
Net Income:						
General Partner.....	\$ 19,857	\$ 14,583	\$ 34,742	\$ 17,325	\$ 3,200	
Limited Partners'.....	4,753	3,371	7,239	5,596	1,095	
Total.....	\$ 24,610	\$ 17,954	\$ 41,981	\$ 22,921	\$ 4,295	
Net income per common unit:						
General Partner.....	\$ .51	\$ .48	\$ 1.06	\$ .87	\$ .22	

Limited Partners'.....	\$	.62	\$	.48	\$	1.03	\$	.86	\$	.19
Weighted average common units outstanding:										
General Partner.....		38,914,000		30,455,000		32,727,000		19,928,000		14,678,000
Limited Partners'.....		7,701,000		6,968,000		7,016,000		6,503,000		5,648,000

(see accompanying notes to financial statements)

RECKSON OPERATING PARTNERSHIP, L. P.  
CONSOLIDATED STATEMENT OF PARTNERS' CAPITAL  
AND RECKSON GROUP  
COMBINED STATEMENT OF OWNER'S (DEFICIT)  
(IN THOUSANDS)

	General Partner's Capital	Limited Partners' Capital	Total Partners' Capital
	-----	-----	-----
OWNERS' DEFICIT, DECEMBER 31, 1994.....	\$ (73,492)	\$ ---	\$ (73,492)
Net income.....	194	---	194
Distributions.....	(4,399)	---	(4,399)
Contributions.....	119	---	119
Adjustment to unrealized gain on available-for-sale securities.....	95	---	95
OWNERS' DEFICIT, JUNE 2, 1995.....	(77,483)	---	(77,483)
Deficit not contributed by the Owners of Reckson Group.....	7,776	---	7,776
Initial capital contribution June 2, 1995 Established of Minority Interests in the Operating Partnership .....	(25,651)	25,651	---
Net Income.....	3,200	1,095	4,295
Contributions.....	---	3,237	3,237
Distributions.....	(9,960)	(3,835)	(13,795)
BALANCE DECEMBER 31, 1995.....	59,893	26,148	86,041
Net Income.....	17,325	5,596	22,921
Contributions.....	131,716	27,881	159,597
Distributions.....	(24,136)	(7,746)	(31,882)
BALANCE DECEMBER 31, 1996.....	184,798	51,879	236,677
Net Income.....	34,742	7,239	41,981
Contributions.....	267,827	35,339	303,166
Distributions.....	(40,665)	(8,707)	(49,372)
BALANCE DECEMBER 31, 1997.....	446,702	85,750	532,452
Net Income.....	19,857	4,753	24,610
Contributions.....	272,706	47,561	320,267
Distributions.....	(27,730)	(5,899)	(33,629)
Contribution of a 1% interest in Reckson FS Limited Partnership.....	1,076	---	1,076
BALANCE JUNE 30, 1998 (UNAUDITED)	\$ 712,611	\$ 132,165	\$ 844,776
	=====	=====	=====

(see accompanying notes to financial statements)

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

	Reckson Group					
	-----					
	Reckson Operating Partnership, L. P.					
	For the six months ended	For the six months ended	For the year ended	For the year ended	For the Period	For the Period
	June 30, 1998	June 30, 1997	December 31, 1997	December 31, 1996	June 3, 1995 to December 31, 1995	January 1, 1995 to June 2, 1995
	-----	-----	-----	-----	-----	-----
	(unaudited)	(unaudited)				
Net Income.....	\$ 24,610	\$ 17,954	\$ 41,981	\$ 22,921	\$ 4,295	\$ 194
Adjustments to reconcile net income to net cash provided by operating activities:						
Depreciation and amortization.....	23,264	11,957	27,237	17,670	7,233	3,606

Loss on extinguishment of debts.....	---	2,362	2,808	1,259	6,022	---
Minority partners' interest in consolidated partnerships	1,273	496	920	915	246	---
Gain on sale of interest in Reckson Executive Centers,						
LLC	(9)	---	---	---	---	---
Gain on sales of property and securities....	(43)	---	(672)	---	---	(134)
Distribution from and share of net loss (income) from investments in partnerships.....	217	191	408	191	---	(303)
Deferred rents receivable.....	(3,614)	(2,371)	(4,500)	(3,837)	---	---
Equity in undistributed earnings of service companies.....	(392)	(142)	(55)	(931)	(100)	---
Equity in earnings of real estate partnerships.....	(273)	(201)	(459)	(266)	---	---
Interest income on mortgage notes and notes receivable.....	(316)	(374)	(2,392)	(870)	---	---
Changes in operating assets and liabilities:						
Escrow reserves.....	115	34	---	---	---	---
Prepaid expenses and other assets.....	(9,832)	(4,301)	(1,931)	(619)	(286)	417
Tenant and affiliate receivables.....	913	(561)	(1,183)	(256)	(2,438)	302
Accrued expenses and other liabilities.....	8,573	3,115	11,240	4,716	2,396	(2,463)
Net cash provided by operating activities...	44,486	28,159	73,402	40,893	17,368	1,619
Cash Flows from Investing Activities:						
Increase in escrow reserves.....	(580)	---	---	---	---	---
Cash from contributed net assets.....	---	---	---	---	629	---
Purchases of commercial real estate properties.....	(383,366)	(154,303)	(429,379)	(181,130)	(49,241)	---
Repayment of notes payable - affiliates.....	---	---	---	---	(6,000)	---
Cash paid in exchange for partnership net assets.....	---	---	---	---	(16,075)	---
Investment in mortgage notes and notes receivable.....	20,097	(29,124)	(50,282)	(50,892)	---	---
Increase in contract deposits and preacquisition costs.....	4,187	(275)	(1,303)	(6,668)	(810)	---
Additions to developments in progress.....	(43,330)	(16,617)	(40,367)	(8,427)	(2,567)	---
Additions to commercial real estate properties.....	(9,754)	(7,608)	(12,038)	(12,441)	(2,326)	(814)
Payment of leasing costs.....	(3,768)	(3,194)	(5,417)	(5,028)	(1,672)	(125)
Investment in securities.....	809	---	(1,756)	---	---	---
Additions to furniture, fixtures and equipment.....	(776)	(481)	(1,159)	(115)	(21)	(13)
Investments in and advances to real estate joint ventures.....	(2,970)	(1,385)	(1,734)	(5,832)	(232)	---
Investment in service companies	15	15	(4,241)	(3,170)	---	---
Distributions from partnership investments..	---	---	---	---	---	115
Contributions to partnership investments....	---	---	---	---	---	(244)
Proceeds from sales of properties and securities.....	---	---	725	---	---	371
Net cash (used in) investing activities.....	(419,436)	(212,972)	(546,951)	(273,703)	(78,315)	(710)
Cash Flows from Financing Activities:						
Proceeds from borrowings.....	---	---	---	54,402	40,779	14,004
Principal payments on borrowings.....	(3,118)	(653)	(1,624)	(380)	(151,230)	(13,088)
Proceeds from issuance of bonds, net of bond issuance costs.....	---	---	147,420	---	---	---
Proceeds from mortgage refinancing, net of refinancing costs.....	---	---	20,134	---	---	---
Payment of loan costs and prepayment penalties.....	(69)	(2,807)	(2,403)	(2,525)	(9,138)	(268)
Advances to affiliates.....	(26,220)	(1,803)	(20,182)	(2,952)	383	(1,060)
Proceeds from credit facilities.....	180,996	126,500	421,000	144,500	40,000	---
Principal payments on credit facilities.....	(94,000)	(122,000)	(319,250)	(76,000)	---	---
Contributions.....	314,315	212,117	299,991	145,317	151,427	---
Distributions.....	(14,498)	(18,657)	(53,327)	(22,546)	(3,835)	---
Distributions to minority partners in operating partnerships.....	(1,311)	(602)	(8,855)	(1,492)	(633)	---
Deferred offering costs.....	---	---	---	---	---	(400)
Distributions to Predecessor Owners.....	---	---	---	---	---	(4,280)
Net cash provided by (used in) financing activities.....	356,095	192,095	482,904	238,324	67,753	(5,092)
Net increase (decrease) in cash and cash equivalents.....	(18,855)	7,282	9,355	5,514	6,806	(4,183)
Cash and cash equivalents at beginning of period.....	21,676	12,321	12,321	6,807	1	7,041
Cash and cash equivalents at end of period....	\$2,821	\$ 19,603	\$21,676	\$12,321	\$6,807	\$2,858
Supplemental Disclosure of Cash Flow Information:						
Cash paid during the period for interest....	\$17,869	\$9,956	\$20,246	\$13,261	\$4,700	\$8,600

(see accompanying notes to financial statements)

Reckson Operating Partnership, L. P.  
and  
Reckson Group  
Notes to Consolidated Financial Statements

1. Description of Business and Significant Accounting Policies

Description of Business



Reckson Operating Partnership, L. P. (the "Operating Partnership") and the Reckson Group (the "Predecessor") are engaged in the ownership, management, operation, leasing and development of commercial real estate properties, principally office and industrial buildings and also own certain undeveloped land (collectively, the "Properties") located in the New York City tri-state area.

#### Organization and Formation of the Operating Partnership

The Operating Partnership commenced operations on June 2, 1995 and is the successor to the operations of the Reckson Group. The sole general partner in the Operating Partnership, Reckson Associates Realty Corp. (the "Company") is a self administered and self managed Real Estate Investment Trust ("REIT"). During June, 1995, the Company contributed approximately \$162 million in cash to the Operating Partnership in exchange for an approximate 73% general partnership interest.

The Operating Partnership executed various option and purchase agreements whereby it issued 2,758,960 units in the Operating Partnership ("Units") to the continuing investors and assumed approximately \$163 million (net of the Omni mortgages) of indebtedness in exchange for interests in certain property partnerships, fee simple and leasehold interests in properties and development land, certain business assets of the executive center entities and 100% of the non-voting preferred stock of the management and construction companies.

As of June 30, 1998, the Operating Partnership owned and operated 69 office properties comprising approximately 9.6 million square feet, 120 industrial properties comprising approximately 9.8 million square feet and two retail properties comprising approximately 20,000 square feet, located in the New York "Tri-State" area. In addition, the Operating Partnership owned or had contracted to acquire approximately 914 acres of land (including 400 acres under option) in 19 separate parcels of which the Operating Partnership can develop 1.9 million square feet of industrial space and 6.8 million square feet of office space. The Operating Partnership also has invested approximately \$47.3 million in certain mortgage notes encumbering four Class A office properties encompassing approximately 577,000 square feet and a 400 acre parcel of land and in a note receivable secured by a partnership interest in Omni Partners, L.P., owner of the Omni, a 575,000 Class A office property located in Uniondale, New York (unaudited).

During 1997, the Company formed Reckson Service Industries, Inc. ("RSI") and Reckson Strategic Venture Partners, LLC ("RSVP"). The Operating Partnership owned a 95% nonvoting common stock interest in RSI through June 10, 1998. RSI serves as the managing member of RSVP. RSI invests in operating companies that generally will provide commercial services to properties owned by the Operating Partnership and its tenants and third parties. RSVP was formed to provide the Operating Partnership with a research and development vehicle to invest in alternative real estate sectors. RSVP invests primarily in real estate and real estate related operating companies generally outside of the Operating Partnership's core office and industrial focus. RSVP's strategy is to identify and acquire interests in established entrepreneurial enterprises with experienced management teams in market sectors which are in the early stages of their growth cycle or offer unique circumstances for attractive investments as well as a platform for future growth. At December 31, 1997, the Operating Partnership had made investments in or loans to RSI and RSVP aggregating approximately \$4.3 million and \$7.4 million, respectively in connection with start up costs and certain initial investments. Such amounts have been included in other assets on the accompanying balance sheet.

On June 11, 1998, the Operating Partnership distributed its 95% net non voting common stock interest in RSI of approximately \$3 million to its partners. At June 30, 1998, the Operating Partnership had made loans to RSI and RSVP aggregating approximately \$21.8 million and \$7.6 million, respectively in connection with start up costs and certain initial investments. Such amounts have been included in investments in and advances to affiliates on the accompanying balance sheet. Subsequent to June 30, 1998, RSI and RSVP repaid approximately \$13 million and \$6.8 million, respectively of loans to the Operating Partnership (unaudited).

At June 30, 1998, the Operating Partnership had made loans to RSI and RSVP aggregating approximately \$21.8 million and \$7.6 million, respectively in connection with start up costs and certain initial investments. Such amounts have been included in investments in and advances to affiliates on the accompanying balance sheet. Subsequent to June 30, 1998, RSI and RSVP repaid approximately \$13 million and \$6.8 million, respectively of loans to the Operating Partnership. (unaudited).

In October 1997, the Operating Partnership entered into an agreement to invest \$150 million in the Morris Companies, a New Jersey developer and owner of "Big Box" warehouse facilities. The Morris Companies' properties include 23 industrial buildings encompassing approximately 4.0 million square feet. The Operating Partnership has invested approximately \$72 million for an approximate 73% controlling interest in Reckson Morris Operating Partnership, L.P. ("RMI"). In connection with the transaction the Morris Companies contributed 100% of their interests in certain industrial properties to RMI in exchange for operating partnership units in RMI.

#### Basis of Presentation and Summary of Significant Accounting Policies

The accompanying consolidated financial statements include the consolidated financial position of the Operating Partnership and its subsidiaries. The Operating Partnership's investment in RMI is reflected in the accompanying financial statements on a consolidated basis with a reduction for minority partner interest. The operating results of the service businesses currently conducted by Reckson Management Group, Inc., and Reckson Construction Group, Inc., are reflected in the accompanying financial statements on the equity method of accounting. The operating results of Reckson Executive Centers, L.L.C., ("REC"), a service business of the Operating Partnership were reflected in the accompanying financial statements on the equity method of accounting through March 31, 1998. On April 1, 1998,

the Operating Partnership sold its 9.9% interest in REC to RSI for \$200,000 (unaudited). Additionally, the operating results of RSI, were reflected in the accompanying financial statements on the equity method of accounting through June 10, 1998. On June 11, 1998 the Operating Partnership distributed its 95% net non voting common stock interest in RSI to its partners (unaudited). The Operating Partnership also invests in real estate joint ventures where it may own less than a controlling interest, such investments are also reflected in the accompanying financial statements on the equity method of accounting. All significant intercompany balances and transactions have been eliminated in the consolidated financial statements.

The accompanying Interim unaudited financial statements have been prepared 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 generally accepted accounting principles may have been condensed or omitted pursuant to such rules and regulations, although management believes that the disclosures are adequate to make the information presented not misleading. The unaudited financial statements as of June 30, 1998 and for the six month periods ended June 30, 1998 and 1997 include, in the opinion of management, all adjustments, consisting of normal recurring adjustments, necessary to present fairly the financial information set forth herein.

During 1997 the Financial Accounting Standards Board ("FASB") issued statement No. 130, "Reporting Comprehensive Income" ("SFAS 130") which is effective for fiscal years beginning after December 15, 1997. SFAS 130 established standards for reporting comprehensive income and its components in a full set of general-purpose financial statements. SFAS 130 requires that all components of comprehensive income be reported in a financial statement that is displayed with the same prominence as other financial statements. The adoption of this standard will not have an impact on the Operating Partnership's financial position or results of operations. Additionally, in June 1997, the FASB also issued SFAS No. 131 "Disclosures about Segments of an Enterprise and Related Information" ("SFAS 131") which is effective for fiscal years beginning after December 15, 1997. SFAS 131 establishes standards for reporting information about operating segments in annual financial statements and in interim financial reports. It also establishes standards for related disclosures about products and services, geographic areas and major customers. The adoption of this standard will not have an impact on the Operating Partnership's financial position or results of operations.

The following table presents the minority partners' interest in consolidated partnerships income:

	June 30, 1998 ----- (unaudited)	December 31,		
		1997 -----	1996 -----	1995 -----
Omni Partners, L. P.	40%	40%	40%	40%
Reckson Morris Operating Partnership, L. P. (1)	27%	---	--	---
Reckson FS Limited Partnership	---	1%	1%	1%

(1) Approximate

The Reckson Group was not a legal entity but rather a combination of partnerships, an "S" corporation and affiliated real estate management and construction corporations which were under the common control of Reckson Associates (a general partnership) and affiliated entities. All significant intercompany transactions and balances were eliminated in combination. The Reckson Group used the equity method of accounting for investments in less than 50% owned entities and majority owned entities where control was temporary.

#### Use of Estimates

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

#### Real Estate

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.

#### Cash Equivalents

The Operating Partnership considers highly liquid investments with a maturity of three months or less when purchased, to be cash equivalents.

#### Deferred Costs

Lease fees and loan costs are capitalized and amortized over the life of the related lease or loan.

#### Income Taxes

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

#### Revenue Recognition

Minimum rental income is recognized on a straight-line basis over the term of the lease. 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 provide for reimbursement of real estate taxes, insurance, common area maintenance costs and indexed rental increases, which are recorded on an accrual basis.

The Operating Partnership records interest income on investments in mortgage notes and notes receivable on an accrual basis of accounting. The Operating Partnership does not accrue interest on impaired loans where, in the judgment of management, collection of interest according to the contractual terms is considered doubtful. Among the factors the Operating Partnership considers in making an evaluation of the collectibility of interest are, the status of the loan, the value of the underlying collateral, the financial condition of the borrower and anticipated future events. Loan discounts are amortized over the life of the real estate using the constant interest method.

#### Net Income Per Common Partnership Unit

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

#### Distributions to Preferred Unit Holders

Preferred unit holders are entitled to distributions based on the stated rates of return (subject to adjustment) for the units.

#### Capitalized Interest

Interest incurred on borrowings used to fund the property development and construction are capitalized as developments in progress and allocated to the individual property costs once construction is completed

#### Construction Operations

Construction operations are accounted for utilizing the completed contract method. Under this method, costs and related billings are deferred until the contract is substantially complete. Estimated losses on uncompleted contracts are recorded in the period that management determines that a loss may be incurred.

#### Reclassifications

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

### 2. Mortgage Notes Payable

At December 31, 1997, there are thirteen mortgage notes payable with an aggregate outstanding principal amount of approximately \$180 million. Properties with an aggregate carrying value at December 31, 1997 of approximately \$225 million are pledged as collateral against the mortgage notes payable. In addition, \$59.2 million of the \$180 million are recourse to the Operating Partnership. The mortgage notes bear interest at rates ranging from 6.82% to 9.25%, and mature between 1999 and 2012. The weighted average interest rate on the outstanding mortgage notes payable at December 31, 1997 is 7.71%. Certain of the mortgage notes payable are guaranteed by certain minority partners in the Operating Partnership.

Scheduled principal repayments during the next five years and thereafter are as follows (in thousands):

Year Ended December 31,	
1998.....	\$2,327
1999.....	2,368
2000.....	33,788
2001.....	2,336
2002.....	26,978
Thereafter.....	112,226
	-----
	\$180,023
	=====

On April 21, 1998, in connection with the acquisitions of the Capelli portfolio, the Operating Partnership assumed approximately \$45.1 million of mortgage indebtedness which bear interest at rates ranging from 8.5% to 9.25% and which encumber two properties (unaudited).

On May 21, 1998, the Company satisfied the mortgage note encumbering one property in the amount of approximately \$1.9 million (unaudited).

As of June 30, 1998, the Company had approximately \$237 million of fixed rate mortgage notes which mature at various times between 1999 and 2012. The notes are secured by 21 properties and have a weighted average interest rate of 7.91% (unaudited).

### 3. Credit Facilities

As of December 31, 1997, the Operating Partnership had a three-year \$250 million unsecured credit facility from Chase Manhattan Bank and Union Bank of Switzerland (the "Unsecured Credit Facility"). The Operating Partnership's ability to borrow thereunder was subject to the satisfaction of certain customary financial covenants. In addition, borrowings under the Unsecured Credit Facility bear interest at a floating rate equal to one, two, three or six month LIBOR (at the Operating Partnership's election) plus a spread

ranging from 1.125% to 1.5% based on the Operating Partnership's leverage ratio.

In addition, the Operating Partnership obtained a \$200 million unsecured credit facility (the "Bridge Facility") which matured on July 15, 1998. The Bridge Facility was provided by the two lead members of the Unsecured Credit Facility bank group and served as interim financing while the Operating Partnership sought to expand the availability under the Unsecured Credit Facility (unaudited).

On July 23, 1998, the Operating Partnership obtained a three year \$500 million unsecured revolving credit facility (the "Credit Facility") with Chase Manhattan Bank, Union Bank of Switzerland and PNC Bank as co-managers of the credit facility bank group. This Credit Facility replaces both the Unsecured Credit and Bridge Facilities. Interest rates on borrowings under the Credit Facility will be priced off of LIBOR plus a sliding scale ranging from 112.5 basis points to 137.5 basis points based on the leverage ratio of the Operating Partnership. Upon the Operating Partnership receiving an investment grade rating on its senior unsecured debt by two rating agencies, the pricing is adjusted based off of LIBOR plus a scale ranging from 65 basis points to 90 basis points depending upon the rating (unaudited).

The Operating Partnership capitalized interest incurred on credit facility borrowings to fund certain development costs in the amount of \$2,351,201 and \$800,434 for the years ended December 31, 1997 and 1996, respectively.

For the six months ended June 30, 1998 and 1997, the Operating Partnership capitalized interest incurred on credit facility borrowings to fund certain development costs in the amount of approximately \$1.8 million and \$.9 million, respectively (unaudited).

#### 4. Senior Unsecured Notes

On August 28, 1997, the Operating Partnership sold \$150 million of 10-year senior unsecured notes in a privately placed transaction. The senior unsecured notes were priced at par with interest at 110 basis points over the 10-year treasury note for an all in coupon of 7.2%. Interest is payable semiannually with principal and unpaid interest due on August 28, 2007.

#### 5. Land Leases

The Operating Partnership leases, pursuant to noncancellable operating leases, the land on which seven of its buildings were constructed. The leases, which contain renewal options, expire between 2018 and 2080. The leases contain provisions for scheduled increases in the minimum rent and one of the leases additionally provides for adjustments to rent based upon the fair market value of the underlying land at specified intervals. Minimum ground rent is recognized on a straight-line basis over the terms of the leases. The excess of amounts recognized over amounts contractually due is \$1,948,000 and \$1,676,000 at December 31, 1997 and 1996, respectively. These amounts are included in accrued expenses and other liabilities on the accompanying balance sheets. Future minimum lease commitments relating to the land leases as of December 31, 1997 are as follows (in thousands):

1998.....	\$1,093
1999.....	1,202
2000.....	1,203
2001.....	1,212
2002.....	1,212
Thereafter.....	42,114
	-----
	\$48,036
	=====

The excess of amounts recognized over amounts contractually due at June 30, 1998 is approximately \$2,127,000 (unaudited).

#### 6. Partners' Capital

The Operating Partnership made loans to certain senior officers to purchase units at market prices ranging from \$12.13 per unit to \$21.94 per unit. The loans bear interest at rates ranging between 8% to 8.5% and are secured by the units purchased. Such loans will be forgiven ratably at each anniversary of employment over a four to five year period. The loan balances of \$240,400 (unaudited), \$325,500 and \$250,000 at June 30, 1998, December 31, 1997 and 1996, respectively have been included as a reduction of the general partner's capital on the accompanying consolidated balance sheets.

On April 21, 1998, the Operating Partnership issued 25,000 Series B preferred units of limited partnership interest at a stated value of \$1,000 per unit and 11,518 Series C preferred units of limited partnership interest at a stated value of \$1,000 per unit in connection with the acquisition of the Cappelli portfolio. The Series B preferred units have a current distribution rate of 6.25% and are convertible to common units at a conversion price of approximately \$32.51 for each preferred unit. The Series C preferred units have a current distribution rate of 6.25% and are convertible to common units at a conversion price of approximately \$29.39 for each preferred unit (unaudited).

During the six months ended June 30, 1998, the Operating Partnership issued 1,884,896 units of general partnership interest to the Company in exchange for approximately \$44.4 million. The proceeds were used to repay borrowings under the credit facilities (unaudited).

Additionally, during the six months ended June 30, 1998, the Operating Partnership issued 9,200,000 Series A preferred units of general partnership interest to the Company in exchange for approximately \$221 million. The Series A preferred units have a liquidation preference of \$25 per unit, a

distribution rate of 7 5/8 % and are convertible to common units at a conversion rate of .8769 common units for each preferred unit (unaudited).

On July 2, 1998, the Operating Partnership issued 6,000 Series D preferred units of limited partnership interest at a stated value of \$1,000 per unit in connection with the acquisition of the remaining 50% interest in 360 Hamilton Avenue located in White Plains, New York. The Series D preferred units have a current distribution rate of 6.25% and are convertible to common units at a conversion price of approximately \$29.12 for each preferred unit (unaudited).

#### 7. Related Party Transactions

The Operating Partnership, through its subsidiaries and affiliates, provides management, leasing and other tenant related services to the Properties. Certain executive officers of the Company have continuing ownership interests in the unconsolidated service companies.

The Operating Partnership in connection with its formation, was granted options, exercisable over a 10 year period to acquire six properties owned by the Predecessor (the "Reckson Option Properties") and four properties in which the Predecessor owns a non-controlling minority interest (the "Other Option Properties" and, together with the Reckson Option Properties, the "Option Properties") at a purchase price equal to the lesser of (i) a fixed purchase price and (ii) the Net Operating Income, as defined, attributable to such Option Property during the 12 month period preceding the exercise of the option divided by a capitalization rate of 11.5%, but the purchase price shall in no case be less than the outstanding balance of the mortgage debt encumbering the Option Property on the acquisition date.

During 1996, the Operating Partnership acquired three of the Reckson Option Properties for an aggregate purchase price of approximately \$26 million. In connection with the purchase of such Option Properties the Operating Partnership issued 271,228 common units at prices ranging from \$16.38 per unit to \$18.50 per unit as partial consideration in the transactions. Such units were issued to certain members of management and entities whose partners included members of management.

During 1997, the Operating Partnership acquired one of the Reckson Option Properties for a purchase price of approximately \$9 million. In connection with the purchase, the Operating Partnership issued 203,804 common units at a price of \$21 per unit as partial consideration in the transaction. Such units were issued to certain members of management and entities whose partners include members of management.

The Operating Partnership made construction loan advances to fund certain redevelopment and leasing costs relating to one of the Other Option Properties. At December 31, 1997 and 1996, advances due the Operating Partnership were approximately \$4,200,000 and \$2,940,000, respectively. Such amounts bear interest at the rate of 11% per annum and are due on demand. In January 1998, the outstanding advances including accrued and unpaid interest was repaid in full.

At December 31, 1997, the Operating Partnership had made investments in or loans to RSI and RSVP aggregating approximately \$4.3 million and \$7.4 million, respectively in connection with start up costs and certain initial investments. Such amounts have been included in other assets on the accompanying balance sheet.

On March 23, 1998, the Company sold approximately \$5.9 million of common stock to RSI at the market closing price of \$25 per share. The Operating Partnership loaned RSI the \$5.9 million to execute this transaction. Such amount was repaid to the Operating Partnership by RSI subsequent to June 30, 1998 (unaudited).

On June 11, 1998, the Operating Partnership distributed its 95% net non voting common stock interest in RSI of approximately \$3 million to its partners. Additionally, during June 1998, the Operating Partnership established a credit facility with RSI (the "RSI Facility") in the amount of \$100 million for RSI's service sector operations and other general corporate purposes. The Operating Partnership also established a credit facility with RSI for the funding of investments of up to \$100 million with or in RSVP (the "RSVP Facility") (unaudited).

#### 8. Commercial Real Estate Investments

During the period from June 3, 1995 to December 31, 1996 the Operating Partnership acquired 22 office properties encompassing approximately 2.8 million square feet and 16 industrial properties encompassing approximately 1.4 million square feet for an aggregate purchase price of approximately \$273 million.

During 1997, the Operating Partnership acquired five office properties encompassing approximately 881,000 square feet and 15 industrial properties encompassing approximately 968,000 square feet on Long Island for an aggregate purchase price of approximately \$131 million.

During 1997, the Operating Partnership acquired eight office properties encompassing approximately 830,000 square feet and three industrial properties encompassing approximately 163,000 square feet in Westchester for an aggregate purchase price of approximately \$117 million. In addition, the Operating Partnership acquired approximately 32 acres of land located in Westchester for a purchase price of approximately \$8 million.

During 1997, the Operating Partnership acquired one industrial property encompassing approximately 452,000 square feet in Connecticut for a purchase price of approximately \$27 million.

During 1997, the Operating Partnership acquired 13 office properties encompassing approximately 1.5 million square feet and one industrial property

encompassing approximately 128,000 square feet in New Jersey for an aggregate purchase price of approximately \$156 million. In addition, the Operating Partnership acquired approximately 303 acres of land located in New Jersey for an aggregate purchase price of approximately \$16.2 million.

In October 1997, the Operating Partnership entered into an agreement to invest \$150 million in the Morris Companies, a New Jersey developer and owner of "Big Box" warehouse facilities. The Morris Companies' properties include twenty three industrial buildings encompassing approximately 4.0 million square feet. In connection with the transaction the Morris Companies contributed 100% of their interests in certain industrial properties to RMI in exchange for Operating Partnership units in RMI. On January 6, 1998, the Operating Partnership acquired an approximate 70% controlling interest in RMI for approximately \$65 million. In addition, at December 31, 1997, the Operating Partnership had advanced approximately \$12 million to the Morris Companies primarily to fund certain construction costs related to development properties to be contributed to RMI.

In October 1997, the Operating Partnership sold 671 Old Willets Path in Hauppauge, New York for approximately \$725,000 and recorded a gain on the sale of \$672,000.

During January, 1998, the Operating Partnership acquired two office properties and five industrial properties encompassing 325,000 and 775,000 square feet, respectively for aggregate purchase prices of approximately \$27.6 million and \$32.1 million, respectively. In addition, the Operating Partnership acquired approximately 99 acres of land for approximately \$3.39 million which allows for approximately 730,000 square feet of development opportunities. These acquisitions were financed with proceeds from the credit facilities and the issuance of 513,259 common units (unaudited).

During February 1998, the Operating Partnership acquired approximately 25 acres of land and a vacant 165,000 square foot building for approximately \$3.43 million. The Operating Partnership is currently repositioning these properties which will allow for approximately 483,000 square feet of future development opportunities (unaudited).

Additionally, on February 6, 1998 the Operating Partnership completed its acquisition of a 351,000 square foot office building located in Lake Success, New York for approximately \$9.3 million. The Operating Partnership had previously acquired an approximate 68% first mortgage interest in the property for approximately \$25.7 million for a total acquisition of \$35 million. The acquisition was financed with proceeds from a draw under the credit facilities (unaudited).

On March 20, 1998, the Operating Partnership acquired a 250,000 square foot office building located in Short Hills, New Jersey for approximately \$67 million. The acquisition was financed with proceeds from a draw under the credit facilities (unaudited).

On April 3, 1998, the Operating Partnership completed its acquisition of approximately 33.6 acres of vacant land located in Huntington Township, New York, which allows for approximately 495,000 square feet of future development opportunities for approximately \$8.5 million (of which \$6.4 million had been previously paid) (unaudited).

On April 21, 1998, the Operating Partnership acquired a portfolio of six office properties encompassing approximately 980,000 square feet in Westchester County, New York from Cappelli Enterprises and affiliated entities ("Cappelli") for a purchase price of approximately \$173 million. The Cappelli acquisition includes a five building, 850,000 square foot Class A office park in Valhalla and Court House Square, a 130,000 square foot Class A office building located in White Plains. The Operating Partnership also obtained an option from Cappelli to acquire the remaining 50% interest in 360 Hamilton Avenue, a 365,000 square foot vacant office tower in downtown White Plains for \$10 million of which \$4 million was paid at closing of the portfolio acquisition. In addition, the Operating Partnership received an option from Cappelli to acquire the remaining development parcels within the Valhalla office park on which up to 875,000 square feet of office space can be developed. During April 1998, the Company made mortgage loans to Cappelli totaling \$18 million which are secured by the development parcels. The loans bear interest at 10% per annum and mature on April 14, 1999. Such amounts have been included in investments in mortgage notes and notes receivable on the accompanying balance sheet. This acquisition was financed in part through proceeds from a draw under the credit facilities, the issuance of 36,518 preferred units, and the assumption of approximately \$45.1 million of mortgage debt. On July 2, 1998, Cappelli exercised his option to sell the remaining 50% interest in 360 Hamilton Avenue located in downtown White Plains, New York to the Operating Partnership for \$10 million (of which \$4 million had been previously paid) plus the return of his capital contributions of approximately \$1.5 million. As a result, the Operating Partnership now owns 100% of the property. The acquisition was financed in part through proceeds from a draw under the credit facilities, the issuance of 6,000 preferred units, and the assumption of approximately \$2 million of additional mortgage debt (unaudited).

Additionally, on April 21, 1998, the Operating Partnership acquired a 84,500 square foot office building located in Fairfield, New Jersey for \$3.4 million. The acquisition was financed in part with proceeds from a draw under the credit facilities and the issuance of 1,979 common units (unaudited).

On May 1, 1998, the Operating Partnership leased a 120,000 square foot office building located in Hicksville, New York. The lease which expires in the year 2018 requires fixed monthly rental payments subject to annual increases and for the pass through to the Company of all operating expenses and real estate taxes relating to the property (unaudited).

On June 19, 1998, the Operating Partnership acquired a 210,000 square foot industrial property located in West Caldwell, New Jersey for \$9.4 million. The acquisition was financed with proceeds from a draw under the

credit facilities (unaudited).

On June 24, 1998, the Operating Partnership acquired approximately 19.3 acres of land located in Melville, New York for approximately \$5.5 million. The Operating Partnership has entered into contract negotiations to sell this parcel during the fourth calendar quarter of 1998. The acquisition was financed with proceeds from a draw under the credit facilities (unaudited).

On July 1, 1998, the Operating Partnership acquired Stamford Towers located in Stamford, Connecticut for approximately \$61.3 million. Stamford Towers is a Class A office complex consisting of two eleven story towers totaling approximately 325,000 square feet (unaudited).

During July, 1998, RMI purchased two industrial properties encompassing approximately 426,000 square feet for approximately \$24.75 million. These acquisitions were financed through draws under the credit facilities (unaudited).

In addition, the Operating Partnership has invested approximately \$72.5 million in certain mortgage indebtedness encumbering five Class A office buildings located on Long Island encompassing approximately 927,000 square feet, a 400 acre parcel of land located in New Jersey and, a 586,000 square foot industrial property in New Jersey. In addition, on March 13, 1997 the Operating Partnership loaned approximately \$17 million to its minority partner in Omni, its flagship Long Island office property, and effectively increased its economic interest in the property owning partnership.

#### 9. Fair Value of Financial Instruments

The following disclosures of estimated fair value at December 31, 1997 and 1996 were determined by management, using available market information and appropriate valuation methodologies. Considerable judgment is necessary to interpret market data and develop estimated fair value. The use of different market assumptions and/or estimation methodologies may have a material effect on the estimated fair value amounts.

Disclosure about fair value of financial instruments is based on pertinent information available to management as of December 31, 1997. Although management is not aware of any factors that would significantly affect the reasonable fair value amounts, such amounts have not been comprehensively revalued for purposes of these financial statements since that date and current estimates of fair value may differ significantly from the amounts presented herein.

Cash equivalents and variable rate debt are carried at amounts which reasonably approximate their fair values.

Mortgage notes payable have an estimated aggregate fair value which approximates its carrying value. Estimated fair value is based on interest rates currently available to the Operating Partnership for issuance of debt with similar terms and remaining maturities.

#### 10. Rental Income

The Properties are being leased to tenants under operating leases. The minimum rental amount due under certain leases are generally either subject to scheduled fixed increases or indexed escalations. In addition, the leases generally also require that the tenants reimburse the Operating Partnership for increases in certain operating costs and real estate taxes above base year costs.

Included in base rents and tenant escalations and reimbursements in the accompanying statements of operations are amounts from Reckson Executive Centers, LLC, an equity investee, as follows (in thousands):

For the Periods	Base Rents	Tenant Escalations and Reimbursements
Six months ended June 30, 1998 (unaudited).	\$1,263	\$277
Year ended December 31, 1997.....	\$2,154	\$441
Year ended December 31, 1996.....	\$1,898	\$417
June 3, 1995 to December 31, 1995.....	\$1,095	\$100
January 1, 1995 to June 2, 1995.....	\$675	\$48

Expected future minimum rents to be received over the next five years and thereafter from leases in effect at December 31, 1997 are as follows (in thousands):

	Reckson Executive Centers, LLC	Other Tenants	Total
1998.....	\$2,561	\$156,909	\$159,470
1999.....	2,634	147,473	150,107
2000.....	1,549	133,814	135,363
2001.....	787	109,767	110,554
2002.....	820	94,112	94,932
Thereafter.....	3,814	206,336	210,150
	\$12,165	\$848,411	\$860,576
	=====	=====	=====

#### 11. Non-Cash Investing and Financing Activities

Additional supplemental disclosures of non-cash investing and financing activities are as follows (in thousands):

- (1) During 1996, the Operating Partnership purchased eight office properties located in Westchester County and associated management and construction operations as

follows:

Cash Paid.....	\$58,533
Issuance of 677,534 common units.....	9,527
Purchase price holdback.....	1,700
Mortgage assumed.....	9,366
	-----
Total purchase price.....	\$79,126
	=====

(2) During 1996, the Operating Partnership acquired three of the Reckson Option Properties as follows:

Debt assumed and repaid.....	\$21,750
Issuance of 271,228 common units.....	4,516
	-----
Total purchase price.....	\$26,266
	=====

(3) In January 1997, the Operating Partnership acquired one of the Reckson Option Properties as follows:

Mortgage assumed.....	\$4,667
Issuance of 203,804 common units.....	4,280
Cash paid.....	61
	-----
Total purchase price.....	\$9,008
	=====

(4) In November 1997, the Operating Partnership purchased a 181,000 square foot industrial building located in Hauppauge, New York as follows:

Mortgage assumed and repaid.....	\$3,037
Issuance of 62,905 common units.....	1,578
Cash paid.....	10
	-----
Total purchase price.....	\$4,625
	=====

(5) In December 1997, the Operating Partnership purchased a 92,000 square foot industrial building located in Elmsford, New York as follows:

Issuance of 183,469 common units.....	\$4,700
	=====

On January 2, 1998, the Operating Partnership issued an additional 18,752 common units in connection with the acquisition of a 92,000 square foot industrial building located in Elmsford, New York for an additional non cash investment of approximately \$.48 million (unaudited).

On January 6, 1998, the Operating Partnership acquired 51 Charles Lindbergh Boulevard in Uniondale, New York which included the issuance of 513,259 common units for a total non cash investment of \$12 million. Additionally, in connection with the Operating Partnership's investment in the Morris Companies, the Operating Partnership assumed approximately \$10.8 million of indebtedness net of minority partners interest (unaudited).

On April 21, 1998, in connection with the acquisition of the Cappelli portfolio, the Operating Partnership assumed approximately \$45.1 million of indebtedness. Additionally, in connection with the acquisition of 155 Passaic Avenue in Fairfield, New Jersey, the Operating Partnership issued 1,979 common units for a total non cash investment of approximately \$50,000 (unaudited).

On June 11, 1998, the Operating Partnership distributed its 95% net non voting common stock interest in RSI of approximately \$3 million to its partners (unaudited).

## 12. Commitments and Other Comments

At December 31, 1996, the Operating Partnership had restricted cash of \$1.8 million which collateralized an outstanding letter of credit for an equal amount.

At December 31, 1997, the Operating Partnership had outstanding undrawn letters of credit against the Unsecured Credit Facility of approximately \$4 million.

At June 30, 1998 the Operating Partnership had outstanding undrawn letters of credit against the Unsecured Credit Facility of approximately \$7.7 million (unaudited).

In July 1998, the Company announced the formation of a joint venture, Metropolitan Partners LLC, a Delaware limited liability company ("Metropolitan Partners"), controlled equally by the Operating Partnership and Crescent Real Estate Equities Company, a Texas real estate investment trust ("Crescent"). Pursuant to a merger agreement, executed on July 9, 1998 and amended and restated on August 11, 1998 (the "Merger Agreement") between Metropolitan Partners, the Company and Crescent and Tower Realty Trust Inc., a Maryland corporation ("Tower"), Metropolitan Partners agreed, subject to the terms and conditions of the Merger Agreement, to purchase the common stock of Tower.

Prior to the execution of the Merger Agreement, Metropolitan Partners identified certain tax issues regarding Tower's operations. Metropolitan Partners entered into the Merger Agreement only after Tower made detailed representations and warranties purporting to address these issues. In the course of due diligence, however, Metropolitan Partners, the Company and Crescent discovered that these representations and warranties may not be correct and discussed these concerns with Tower, specifically advising Tower that they were not terminating the Merger Agreement at that time. Metropolitan Partners, the Company and Crescent invited Tower to respond to these concerns.



However, on November 2, 1998, Tower filed a complaint in the Supreme Court of the State of New York alleging Metropolitan Partners, the Company and Crescent willfully breached the Merger Agreement. Tower is seeking declaratory and other relief, including damages of not less than \$75 million and specific performance by Metropolitan Partners, the Company and Crescent of their obligations under the Merger Agreement. Although management believes the Company has meritorious defenses to this action, there can be no assurance as to the impact of this action on the Company's operations and/or financial condition. (unaudited).

During June 1998, the Operating Partnership established a credit facility with RSI (the "RSI Facility") in the amount of \$100 million for RSI's service sector operations and other general corporate purposes. The Operating Partnership also established a credit facility with RSI for the funding of investments of up to \$100 million with or in RSVP (the "RSVP Facility") (unaudited).

### 13. Quarterly Financial Data (Unaudited)

The following summary represents the Operating Partnership's results of operations for the first and second quarters of 1998 and each quarter during 1997 and 1996 (in thousands, except unit data):

	1998	
	First Quarter	Second Quarter
Total revenues.....	\$ 55,062	\$66,267
Income before distributions to preferred unit holders and minority interests.....	\$ 12,387	\$17,664
Preferred distributions.....	---	(4,168)
Minority partners' interest in consolidated partnerships income.....	(561)	(712)
Net income available to common unit holders.	\$ 11,826	\$12,784
Net income:		
General Partner.....	\$ 9,835	\$ 10,022
Limited Partners'.....	1,991	2,762
Total.....	\$ 11,826	\$ 12,784
Net income per common unit:		
General Partner.....	\$ .26	\$ .25
Limited Partners'.....	\$ .26	\$ .36
Weighted average common units outstanding:		
General Partner.....	38,182,577	39,636,815
Limited Partners'.....	7,709,228	7,694,349

	1997			
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Total revenues.....	\$31,670	\$36,188	\$40,328	\$45,162
Income before, minority interests and extraordinary items.....	\$8,806	\$12,006	\$11,545	\$13,352
Minority partners' interest in consolidated partnerships income.....	(268)	(228)	(228)	(196)
Extraordinary (loss).....	---	(2,362)	(446)	--
Net income.....	\$8,538	\$9,416	\$10,871	\$13,156
Net Income:				
General Partner.....	\$6,760	\$7,823	\$ 9,188	\$10,971
Limited Partners'.....	1,778	1,593	1,683	2,185
Total.....	\$8,538	\$9,416	\$10,871	\$13,156
Net income per unit:				
General Partner.....	\$ .25	\$ .23	\$ .27	\$ .31
Limited Partners'.....	\$ .26	\$ .23	\$ .24	\$ .31
Weighted average common units outstanding:				
General Partner.....	26,569,162	34,298,137	34,477,050	35,445,213
Limited Partners'.....	6,960,428	6,974,814	6,974,031	7,153,848

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Total revenues.....	\$19,065	\$22,686	\$24,712	\$29,567
Income before, minority interests and extraordinary items.....	\$4,907	\$ 6,414	\$ 6,397	\$ 7,377
Minority partners' interest in consolidated partnership income .....	(261)	(263)	(194)	(197)
Extraordinary (loss).....	(1,259)	---	---	---
Net income.....	\$3,387	\$6,151	\$ 6,203	\$ 7,180
Net Income:				
General Partner.....	\$2,403	\$4,658	\$ 4,687	\$ 5,577
Limited Partners'.....	984	1,493	1,516	1,603
Total.....	\$3,387	\$6,151	\$ 6,203	\$ 7,180
Net income per unit:				
General Partner.....	\$ .16	\$ .23	\$ .22	\$ .24
Limited Partners'.....	\$ .16	\$ .23	\$ .23	\$ .24
Weighted average units outstanding:				
General Partner.....	14,889,612	20,349,210	20,880,474	23,541,600
Limited Partners'.....	6,064,498	6,486,304	6,721,226	6,737,124

Reckson Operating Partnership, L. P.  
Schedule III-Real Estate and Accumulated Depreciation  
December 31, 1997  
(In thousands)

Column A ----- Description -----	Column B ----- Encumbrance -----	Column C ----- Initial Cost -----		Column D ----- Cost Capitalized Subsequent to Acquisition -----		Column E ----- Gross Amount at Which Carried at Close of Period -----	
		Land	Buildings and Improvements	Land	Buildings and Improvements	Land	Buildings and Improvements
Vanderbilt Industrial Park, Hauppauge, New York (27 buildings in an industrial park).....	B	\$1,940	\$9,955	\$---	\$8,789	\$1,940	\$18,744
Airport International Plaza New York (17 buildings industrial park).....	2,616(copyright)	1,263	13,608	---	9,670	1,263	23,278
County Line Industrial Cent Huntington, New York (3 buildings in an industry park).....	B	628	3,686	---	2,438	628	6,124
32 Windsor Place, Islip, New York.....	B	32	321	---	46	32	367
42 Windsor Place, Islip, New York.....	B	48	327	---	542	48	869
505 Walt Whitman Rd., Huntington, New York.....	B	140	42	---	52	140	94
1170 Northern Blvd., N. Great Neck, New York.....	B	30	99	---	31	30	130
50 Charles Lindbergh Blvd., Mitchel Field, New York .....	15,479	A	12,089	---	3,526	---	15,615
200 Broadhollow Road, Melville, New York.....	6,649	338	3,354	---	2,362	338	5,716
48 South Service Road, Melville, New York.....	B	1,652	10,245	---	3,351	1,652	13,596
395 North Service Road, Melville, New York.....	9,917	A	15,551	---	6,475	---	22,026
6800 Jericho Turnpike, Syosset, New York.....	15,001	582	6,566	---	5,941	582	12,507
6900 Jericho Turnpike, Syosset, New York.....	5,279	385	4,228	---	1,674	385	5,902
300 Motor Parkway, Hauppauge, New York.....	B	276	1,136	---	828	276	1,964
88 Duryea Road, Melville, New York.....	B	200	1,565	---	616	200	2,181
210 Blydenburgh Road, Islandia, New York.....	B	11	158	---	159	11	317
208 Blydenburgh Road, Islandia, New York.....	B	12	192	---	145	12	337
71 Hoffman Lane, Islandia, New York.....	B	19	260	---	172	19	432
933 Motor Parkway, Smithtown, New York.....	B	106	375	---	361	106	736

Column F      Column G      Column H      Column I  
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Life on which

	Total	Accumulated Depreciation	Date of Construction	Date of Acquired	Depreciation is Computed
	-----	-----	-----	-----	-----
Vanderbilt Industrial Park, Hauppauge, New York (27 buildings in an industrial park).....	\$20,684	\$11,432	1961-1979	1961-1979	10-30 years
Airport International Plaza New York (17 buildings industrial park).....	24,541	12,463	1970-1988	1970-1988	10-30 years
County Line Industrial Cent Huntington, New York (3 buildings in an industry park).....	6,752	3,721	1975-1979	1975-1979	10-30 years
32 Windsor Place, Islip, New York.....	399	294	1971	1971	10-30 years
42 Windsor Place, Islip, New York.....	917	615	1972	1972	10-30 years
505 Walt Whitman Rd., Huntington, New York.....	234	60	1950	1968	10-30 years
1170 Northern Blvd., N. Great Neck, New York.....	160	115	1947	1962	10-30 years
50 Charles Lindbergh Blvd., Mitchel Field, New York .....	15,615	7,347	1984	1984	10-30 years
200 Broadhollow Road, Melville, New York.....	6,054	3,151	1981	1981	10-30 years
48 South Service Road, Melville, New York.....	15,248	5,895	1986	1986	10-30 years
395 North Service Road, Melville, New York.....	22,026	8,849	1988	1988	10-30 years
6800 Jericho Turnpike, Syosset, New York.....	13,089	7,338	1977	1978	10-30 years
6900 Jericho Turnpike, Syosset, New York.....	6,287	2,898	1982	1982	10-30 years
300 Motor Parkway, Hauppauge, New York.....	2,240	1,101	1979	1979	10-30 years
88 Duryea Road, Melville, New York.....	2,381	1,027	1980	1980	10-30 years
210 Blydenburgh Road, Islandia, New York.....	328	243	1969	1969	10-30 years
208 Blydenburgh Road, Islandia, New York.....	349	284	1969	1969	10-30 years
71 Hoffman Lane, Islandia, New York.....	451	345	1970	1970	10-30 years
933 Motor Parkway, Smithtown, New York.....	842	490	1973	1973	10-30 years

Reckson Operating Partnership, L. P.  
Schedule III-Real Estate and Accumulated Depreciation  
December 31, 1997 (continued)  
(In thousands)

Column A	Column B	Column C		Column D		Column E	
-----	-----	-----		-----		-----	
Description	Encumbrance	Initial Cost		Cost Capitalized Subsequent to Acquisition		Gross Amount at Which Carried at Close of Period	
		Land	Buildings and Improvements	Land	Buildings and Improvements	Land	Buildings and Improvements
-----	-----	---	-----	---	-----	---	-----
65 and 85 South Service Road Plainview, New York.....	B	40	218	---	10	40	228
333 Earl Ovington Blvd., Mitchel Field, New York (Omni)	57,839	A	67,221	---	15,556	---	82,777
135 Fell Court Islip, New York.....	B	462	1,265	---	48	462	1,313
40 Cragwood Road, South Plainfield, New Jersey	B	708	7,131	17	3,664	725	10,795
110 Marcus Drive, Huntington, New York.....	B	390	1,499	---	13	390	1,512
333 East Shore Road, Great Neck, New York.....	B	A	564	---	128	---	692
310 East Shore Road, Great Neck, New York.....	2,322	485	2,009	---	265	485	2,274
70 Schmitt Blvd., Farmingdale, New York.....	425	727	3,408	---	15	727	3,423
19 Nicholas Drive, Yaphank, New York.....	B	160	7,399	---	---	160	7,399
1516 Motor Parkway, Hauppauge, New York.....	B	603	6,722	---	13	603	6,735
125 Baylis Road, Melville, New York.....	B	1,601	8,626	---	422	1,601	9,048
35 Pinelawn Road, Melville, New York.....	B	999	7,073	---	1,354	999	8,427
520 Broadhollow Road,							

Melville, New York.....	B	457	5,572	---	1,404	457	6,976
1660 Walt Whitman Road, Melville, New York.....	B	370	5,072	---	389	370	5,461
70 Maxess Road, Melville, New York.....	1,863	708	1,859	96	3,806	804	5,665
85 Nikon Court, Hauppauge, New York.....	B	797	2,818	---	54	797	2,872
104 Parkway Drive So., Hauppauge, New York.....	B	54	804	---	130	54	934
20 Melville Park Rd., Melville, New York.....	B	391	2,650	---	96	391	2,746
105 Price Parkway, Hauppauge, New York.....	B	2,030	6,327	---	311	2,030	6,638
48 Harbor Park Drive, Hauppauge, New York.....	B	1,304	2,247	---	89	1,304	2,336
125 Ricefield Lane, Hauppauge, New York.....	B	13	852	---	330	13	1,182

	Column F -----	Column G -----	Column H -----	Column I -----
Total -----	Accumulated Depreciation -----	Date of Construction -----	Date of Acquired -----	Life on which Depreciation is Computed -----

65 and 85 South Service Road Plainview, New York.....	268	221	1961	1961	10-30 years
333 Earl Ovington Blvd., Mitchel Field, New York (Omni)	82,777	12,371	1990	1995	10-30 years
135 Fell Court Islip, New York.....	1,775	238	1965	1992	10-30 years
40 Cragwood Road, South Plainfield, New Jersey	11,520	5,957	1970	1983	10-30 years
110 Marcus Drive, Huntington, New York.....	1,902	1,113	1980	1980	10-30 years
333 East Shore Road, Great Neck, New York.....	692	430	1976	1976	10-30 years
310 East Shore Road, Great Neck, New York.....	2,759	1,215	1981	1981	10-30 years
70 Schmitt Blvd., Farmingdale, New York.....	4,150	267	1965	1995	10-30 years
19 Nicholas Drive, Yaphank, New York.....	7,559	597	1989	1995	10-30 years
1516 Motor Parkway, Hauppauge, New York.....	7,338	560	1981	1995	10-30 years
125 Baylis Road, Melville, New York.....	10,649	654	1980	1995	10-30 years
35 Pinelawn Road, Melville, New York.....	9,426	701	1980	1995	10-30 years
520 Broadhollow Road, Melville, New York.....	7,433	736	1978	1995	10-30 years
1660 Walt Whitman Road, Melville, New York.....	5,831	419	1980	1995	10-30 years
70 Maxess Road, Melville, New York.....	6,469	193	1967	1995	10-30 years
85 Nikon Court, Hauppauge, New York.....	3,669	191	1984	1995	10-30 years
104 Parkway Drive So., Hauppauge, New York.....	988	54	1985	1996	10-30 years
20 Melville Park Rd., Melville, New York.....	3,137	105	1965	1996	10-30 years
105 Price Parkway, Hauppauge, New York.....	8,668	342	1969	1996	10-30 Years
48 Harbor Park Drive, Hauppauge, New York.....	3,640	116	1976	1996	10-30 Years
125 Ricefield Lane, Hauppauge, New York.....	1,195	95	1973	1996	10-30 Years

Reckson Operating Partnership, L. P.  
Schedule III-Real Estate and Accumulated Depreciation  
December 31, 1997 (continued)  
(In thousands)

Column A -----	Column B -----	Column C -----	Column D -----	Column E -----
Description -----	Encumbrance -----	Initial Cost -----	Cost Capitalized Subsequent to Acquisition -----	Gross Amount at Which Carried at Close of Period -----
		Land	Buildings and Improvements	Land
		-----	-----	-----
		Land	Buildings and Improvements	Land
		-----	-----	-----

110 Ricefield Lane, Hauppauge, New York.....	B	33	1,043	---	52	33	1,095
120 Ricefield Lane, Hauppauge, New York.....	B	16	1,051	---	30	16	1,081
135 Ricefield Lane, Hauppauge, New York.....	B	24	906	---	473	24	1,379

30 Hub Drive, Huntington, New York.....	B	469	1,571	---	246	469	1,817
60 Charles Lindbergh, Mitchel Field, New York .....	B	A	20,800	---	1,344	---	22,144
155 White Plains Rod., Tarrytown, New York.....	B	1,613	2,542	---	595	1,613	3,137
2 Church Street, Tarrytown, New York .....	B	232	1,307	---	385	232	1,692
235 Main Street, Tarrytown, New York.....	B	955	5,375	---	562	955	5,937
245 Main Street, Tarrytown, New York.....	B	1,294	7,284	---	790	1,294	8,074
505 White Plains Road, Tarrytown, New York.....	B	236	1,332	---	163	236	1,495
555 White Plains Road, Tarrytown, New York.....	B	712	4,133	13	2,658	725	6,791
560 White Plains Road, Tarrytown, New York.....	B	1,553	8,756	---	1,688	1,553	10,444
580 White Plains Road, Tarrytown, New York.....	8,811	2,591	14,595	---	1,347	2,591	15,942
660 White Plains Road, Tarrytown, New York.....	B	3,929	22,640	---	1,738	3,929	24,378
Landmark Square, Stamford, CT.....	49,291	11,603	64,466	---	6,216	11,603	70,682
110 Bi-County Blvd., Farmingdale, New York.....	4,531	2,342	6,665	---	124	2,342	6,789
RREEF Portfolio, Hauppauge, New York (10 additional buildings in Vanderbuilt Industrial Park) ...	B	930	20,619	---	523	930	21,142
275 Broadhollow Road, Melville, New York.....	B	5,250	11,761	---	464	5,250	12,225
One Eagle Rock, East Hanover, New Jersey.....	B	803	7,563	---	21	803	7,584
710 Bridgeport Avenue, Shelton, CT.....	B	5,405	21,620	---	440	5,405	22,060
101 JFK Expressway, Short Hills, New Jersey .....	B	7,745	43,889	---	263	7,745	44,152

	Column F -----	Column G -----	Column H -----	Column I -----
	Accumulated Depreciation -----	Date of Construction -----	Date of Acquired -----	Life on which Depreciation is Computed -----

110 Ricefield Lane, Hauppauge, New York.....	1,128	68	1980	1996	10-30 Years
120 Ricefield Lane, Hauppauge, New York.....	1,097	44	1983	1996	10-30 Years
135 Ricefield Lane, Hauppauge, New York.....	1,403	116	1981	1996	10-30 Years
30 Hub Drive, Huntington, New York.....	2,286	93	1976	1996	10-30 Years
60 Charles Lindbergh, Mitchel Field, New York .....	22,144	1,249	1989	1996	10-30 Years
155 White Plains Rod., Tarrytown, New York.....	4,750	133	1963	1996	10-30 Years
2 Church Street, Tarrytown, New York .....	1,924	94	1979	1996	10-30 Years
235 Main Street, Tarrytown, New York.....	6,892	374	1974	1996	10-30 Years
245 Main Street, Tarrytown, New York.....	9,368	507	1983	1996	10-30 Years
505 White Plains Road, Tarrytown, New York.....	1,731	109	1974	1996	10-30 Years
555 White Plains Road, Tarrytown, New York.....	7,516	588	1972	1996	10-30 Years
560 White Plains Road, Tarrytown, New York.....	11,997	837	1980	1996	10-30 Years
580 White Plains Road, Tarrytown, New York.....	18,533	1,108	1977	1996	10-30 Years
660 White Plains Road, Tarrytown, New York.....	28,307	1,603	1983	1996	10-30 Years
Landmark Square, Stamford, CT.....	82,285	2,764	1973-1984	1996	10-30 years
110 Bi-County Blvd., Farmingdale, New York.....	9,131	233	1984	1997	10-30 Years
RREEF Portfolio, Hauppauge, New York (10 additional buildings in Vanderbuilt Industrial Park) ...	22,072	570	1974-1982	1997	10-30 Years
275 Broadhollow Road, Melville, New York.....	17,475	300	1970	1997	10-30 Years
One Eagle Rock, East Hanover, New Jersey.....	8,387	179	1986	1997	10-30 Years
710 Bridgeport Avenue, Shelton, CT.....	27,465	506	1971-1979	1977	10-30 Years
101 JFK Expressway, Short Hills, New Jersey .....	51,897	978	1981	1997	10-30 Years

Continued-

Schedule III-Real Estate and Accumulated Depreciation  
December 31, 1997 (continued)  
(In thousands)

Column A ----- Description -----	Column B ----- Encumbrance -----	Column C ----- Initial Cost -----		Column D ----- Cost Capitalized Subsequent to Acquisition -----		Column E ----- Gross Amount at Which Carried at Close of Period -----	
		Land	Buildings and Improvements	Land	Buildings and Improvements	Land	Buildings and Improvements
				C>			
10 Rooney Circle, West Orange, New Jersey .....	B	1,302	4,615	---	408	1,302	5,023
Executive Hill Office Park, West Orange, New Jersey .....	B	7,629	31,288	---	410	7,629	31,698
3 University Plaza, Hackensack, New Jersey.....	B	7,894	11,846	---	110	7,894	11,956
400 Garden City Plaza, Garden City, New York.....	B	13,986	10,127	---	225	13,986	10,352
425 Rabro Drive, Hauppauge, New York.....	B	665	3,489	---	63	665	3,552
One Paragon Drive, Montvale, New Jersey.....	B	2,773	9,901	---	91	2,773	9,992
90 Merrick Avenue, East Meadow, New York.....	B	A	19,193	---	332	---	19,525
150 Motor Parkway, Hauppauge, New York.....	B	1,114	20,430	---	839	1,114	21,269
390 Motor Parkway, Hauppauge, New York.....	B	240	4,459	---	202	240	4,661
Royal Executive Park, Ryebrook, New York.....	B	18,343	55,028	---	479	18,343	55,507
120 White Plains Road, Tarrytown, New York.....	B	3,355	24,605	---	---	3,355	24,605
University Square, Princeton, New Jersey.....	B	8,045	8,888	---	19	8,045	8,907
100 Andrews Road, Hicksville, New York.....	B	2,812	1,711	---	5,155	2,812	6,866
2 Macy Road, Harrison, New York.....	B	642	2,131	---	19	642	2,150
80-100 Grasslands, Elmsford, New York.....	B	1,609	6,823	---	106	1,609	6,929
65 Marcus Drive, Melville, New York.....	B	295	1,966	---	865	295	2,831
Land held for development.....	B	29,309	---	---	---	29,309	---
Development in progress.....	B	5,492	10,757	---	8,915	5,492	19,672
Other property.....	B	---	---	---	1,998	---	1,998
<b>Total.....</b>	----- 180,023 -----	----- 173,201 -----	----- \$722,268 -----	----- \$126 -----	----- \$115,633 -----	----- \$173,327 -----	----- \$837,901 -----

Total -----	Column F ----- Accumulated Depreciation -----	Column G ----- Date of Construction -----	Column H ----- Date of Acquired -----	Column I ----- Life on which Depreciation is Computed -----
10 Rooney Circle, West Orange, New Jersey .....	6,325	119	1971	1997
Executive Hill Office Park, West Orange, New Jersey .....	39,327	504	1978-1984	1997
3 University Plaza, Hackensack, New Jersey.....	19,850	167	1985	1997
400 Garden City Plaza, Garden City, New York.....	24,338	139	1989	1997
425 Rabro Drive, Hauppauge, New York.....	4,217	49	1980	1997
One Paragon Drive, Montvale, New Jersey.....	12,765	86	1980	1997
90 Merrick Avenue, East Meadow, New York.....	19,525	135	1985	1997
150 Motor Parkway, Hauppauge, New York.....	22,383	151	1984	1997
390 Motor Parkway, Hauppauge, New York.....	4,901	32	1980	1997
Royal Executive Park, Ryebrook, New York.....	73,850	195	1983-1986	1997
120 White Plains Road, Tarrytown, New York.....	27,960	68	1984	1997
University Square, Princeton, New Jersey.....	16,952	25	1987	1997
100 Andrews Road, Hicksville, New York.....	9,678	137	1954	1996
2 Macy Road, Harrison, New York.....	2,792	8	1962	1997
80-100 Grasslands, Elmsford, New York.....	8,538	24	1989/1964	1997
65 Marcus Drive, Melville, New York.....	3,126	28	1968	1996
Land held for development.....	29,309	---	N/A	variouss
Development in progress.....	25,164	---		N/A

Other property.....	1,998	89
Total.....	\$1,011,228	\$ 108,652

- A These land parcels are leased (see Note 4).
- B There are no encumbrances on these properties.
- C The Encumbrance of \$2,616 is related to one property.

The aggregate cost for Federal Income Tax purposes was approximately \$932.4 million at December 31, 1997.

Reckson Operating Partnership, L. P.  
And Reckson Group  
Schedule III-Real Estate and Accumulated Depreciation (continued)  
(in thousands)

The changes in real estate for each of the periods in the three years ended December 31, 1997 are as follows:

	January 1, 1997 to December 31, 1997	January 1, 1996 to December 31, 1996	June 3, 1995 to December 31, 1995	January 1, 1995 to June 2, 1995
Real estate balance at beginning of period.....	\$516,768	\$288,056	\$216,333	\$159,693
Improvements.....	37,778	15,174	3,768	814
Disposal, including write-off of fully depreciated building improvements.....	(154)	(936)	(3,174)	---
Properties not contributed to the Operating Partnership.....	---	---	---	(15,133)
Consolidation of Omni (1).....	---	---	---	70,959
Acquisitions.....	456,836	214,474	55,054	---
Cash paid in exchange for properties.....	---	---	16,075	---
Balance at end of period.....	\$1,011,228	\$516,768	\$288,056	\$216,333

The changes in accumulated depreciation, exclusive of amounts relating to equipment, autos, furniture and fixtures, for each of the periods in the three years ended December 31, 1997 are as follows:

	January 1, 1997 to December 31, 1997	January 1, 1996 to December 31, 1996	June 3, 1995 to December 31, 1995	January 1, 1995 to June 2, 1995
Balance at beginning of period.....	\$86,344	\$72,499	\$69,841	\$71,596
Depreciation for period.....	22,442	14,781	5,832	2,453
Disposal, including write-off of fully depreciated building improvements.....	(134)	(936)	(3,174)	---
Properties not contributed to the Operating Partnership.....	---	---	---	(7,946)
Consolidation of Omni.....	---	---	---	3,738
Balance at end of period.....	\$108,652	\$86,344	\$72,499	\$69,841

(1) The Omni was consolidated as a result of the Operating Partnership purchasing a controlling interest as part of the Formation Transactions.

PART II

INFORMATION NOT REQUIRED IN PROSPECTUS

ITEM 14. OTHER EXPENSES OF ISSUANCE AND DISTRIBUTION

The following sets forth the estimated expenses in connection with the issuance and distribution of the Registrant's securities being registered hereby, other than underwriting discounts and commissions, all of which will be borne by the Registrant:

Securities and Exchange Commission registration fee.....	\$72,280
Printing and engraving expenses.....	200,000
Legal fees and expenses.....	150,000
Accounting fees and expenses.....	40,000
Blue Sky fees and expenses.....	20,000

Trustee's fees.....	10,000
Miscellaneous.....	57,720
	-----
Total	\$550,000
	=====

ITEM 15. INDEMNIFICATION OF DIRECTORS AND OFFICERS.

The Maryland General Corporation Law, as amended from time to time (the "MGCL"), permits a Maryland corporation to include in its Charter a provision limiting the liability of its directors and officers to the corporation and its stockholders for money damages except for liability resulting from (a) actual receipt of an improper benefit or profit in money, property or services or (b) active and deliberate dishonesty established by a final judgment as being material to the cause of action. The Charter of the Company contains such a provision which eliminates such liability to the maximum extent permitted by Maryland law.

The Charter of the Company authorizes the Company, to the maximum extent permitted by Maryland law, to obligate itself to indemnify and to pay or reimburse reasonable expenses in advance of final disposition of a proceeding to (a) any present or former director or officer or (b) any individual who, while a director of the Company and at the request of the Company, serves or has served another corporation, real estate investment trust, partnership, joint venture, trust, employee benefit plan or any other enterprise as a director, officer, partner or trustee of such corporation, real estate investment trust, partnership, joint venture, trust, employee benefit plan or other enterprise and who is made a party to the proceeding by reason of his or her service in that capacity. The Bylaws of the Company obligate it, to the maximum extent permitted by Maryland law, to indemnify and to pay or reimburse reasonable expenses in advance of final disposition of a proceeding to (a) any present or former director or officer who is made a party to the proceeding by reason of his service in that capacity or (b) any individual who, while a director of the Company and at the request of the Company, serves or has served another corporation, real estate investment trust, partnership, joint venture, trust, employee benefit plan or any other enterprise as a director, officer, partner or trustee of such corporation, real estate investment trust, partnership, joint venture, trust, employee benefit plan or other enterprise and who is made a party to the proceeding by reason of his service in that capacity. The Charter and Bylaws also permit the Company to indemnify and advance expenses to any person who served a predecessor of the Company in any of the capacities described above and to any employee or agent of the Company or a predecessor of the Company.

The MGCL requires a corporation (unless its charter provides otherwise, which the Company's Charter does not) to indemnify a director or officer who has been successful, on the merits or otherwise, in the defense of any proceeding to which he is made a party by reason of his service in that capacity. The MGCL permits a corporation to indemnify its present and former directors and officers, among others, against judgments, penalties, fines, settlements and reasonable expenses actually incurred by them in connection with any proceeding to which they may be made a party by reason of their service in those or other capacities unless it is established that (a) the act or omission of the director or officer was material to the matter giving rise to the proceeding and (i) was committed in bad faith or (ii) was the result of active and deliberate dishonesty, (b) the director or officer actually received an improper personal benefit in money, property or services or (c) in the case of any criminal proceeding, the director or officer had reasonable cause to believe that the act or omission was unlawful. However, under the MGCL, a Maryland corporation may not indemnify for an adverse judgment in a suit by or in the right of the corporation or for a judgment of liability on the basis that personal benefit was improperly received, unless in either case a court orders indemnification and then only for expenses. In addition, the MGCL permits a corporation to advance reasonable expenses, upon the corporation's receipt of (a) a written affirmation by the director or officer of his good faith belief that he has met the standard of conduct necessary for indemnification by the Company and (b) a written statement by or on his behalf to repay the amount paid or reimbursed by the Corporation if it shall ultimately be determined that the standard of conduct was not met.

The Company has entered into indemnification agreements with each of its executive officers and directors. The indemnification agreements require, among other matters, that the Company indemnify its executive officers and directors to the fullest extent permitted by law and advance to the executive officers and directors all related expenses, subject to reimbursement if it is subsequently determined that indemnification is not permitted. Under these agreements, the Company must also indemnify and advance all expenses incurred by executive officers and directors seeking to enforce their rights under the indemnification agreements and may cover executive officers and directors under the Company's directors' and officers' liability insurance. Although indemnification agreements offer substantially the same scope of coverage afforded the Bylaws, they provide greater assurance to directors and executive officers that indemnification will be available, because, as contracts, they cannot be modified unilaterally in the future by the Board of Directors or the stockholders to eliminate the rights they provide.

The Partnership Agreement of the Operating Partnership contains provisions indemnifying its partners and their officers and directors to the fullest extent permitted by the Delaware Limited Partnership Act.

ITEM 16. EXHIBITS.

- 1 -- Form of Underwriting Agreement.(1)
- 4.1 -- Form of Common Stock Certificate.(2)
- 4.2 -- Form of Designating Amendment for Preferred Stock.(1)



4.3	--	Form of Preferred Stock Certificate.(1)
4.4	--	Form of Warrant Agreement.(1)
4.5	--	Form of Warrant.(1)
4.6	--	Form of Indenture
5	--	Opinion of Brown & Wood LLP as to the legality of the Securities.
8	--	Opinion of Brown & Wood LLP as to tax matters.
12.1	--	Calculation of Reckson Associates Realty Corp. Ratios of Earnings to Combined Fixed Charges.
12.2	--	Calculation of Reckson Associates Realty Corp. Ratios of Earnings to Fixed Charges and Preferred Dividends.
12.3	--	Calculation of Reckson Operating Partnership L.P. Ratios of Earnings to Combined Fixed Charges.
12.4	--	Calculation of Reckson Operating Partnership L.P. Ratios of Earnings to Fixed Charges and Preferred Dividends.
23.1	--	Consent of Brown & Wood LLP (included in Exhibits 5 and 8).
23.2	--	Consent of Ernst & Young LLP.
24	--	Power of attorney (included on the signature page of this Registration Statement).

- 
- (1) To be filed by amendment or incorporated by reference in connection with the offering of Securities.
- (2) Previously filed as an exhibit to Registration Statement on Form S-11 (No. 33-84324) and incorporated herein by reference.

ITEM 17. UNDERTAKINGS.

(a) Each Registrant hereby undertakes:

(1) To file, during any period in which offers or sales are being made, a post-effective amendment to the Registration Statement;

(i) To include any prospectus required by Section 10(a)(3) of the Securities Act;

(ii) To reflect in the prospectus any facts or events arising after the effective date of the Registration Statement (or the most recent post-effective amendment thereof) which, individually or in the aggregate, represent a fundamental change in the information set forth in the Registration Statement. Notwithstanding the foregoing, any increase or decrease in volume of securities offered (if the total dollar value of securities offered would not exceed that which was registered) and any deviation from the low or high end of the estimated maximum offering range may be reflected in the form of prospectus filed with the Commission pursuant to Rule 424(b) if, in the aggregate, the changes in volume and price represent no more than a 20% change in the maximum offering price set forth in the "Calculation of Registration Fee" table in the effective registration statement;

(iii) To include any material information with respect to the plan of distribution not previously disclosed in the Registration Statement or any material change to such information in the Registration Statement.

Provided, however, that paragraphs (1)(i) and (1)(ii) do not apply if the information required to be included in a post-effective amendment by those paragraphs is contained in periodic reports filed by the Registrant pursuant to Section 13 or 15(d) of the Exchange Act that are incorporated by reference in the Registration Statement.

(2) That, for the purpose of determining any liability under the Securities Act, each such post-effective amendment shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof; and

(3) To remove from registration by means of a post-effective amendment any of the securities being registered which remain unsold at the termination of the offering.

(b) Each Registrant hereby undertakes that, for purposes of determining any liability under the Securities Act, each filing of such Registrant's annual report pursuant to Section 13(a) or 15(d) of the Exchange Act (and, where applicable, each filing of an employee benefit plan's annual report pursuant to Section 15(d) of the Exchange Act) that is incorporated by reference in the Registration Statement shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

(c) Insofar as indemnification for liabilities arising under the Securities Act may be permitted to directors, officers, partners and controlling persons of a Registrant pursuant to the foregoing provisions, or otherwise, the Registrants have been advised that in the opinion of the Securities and Exchange

Commission such indemnification is against public policy as expressed in the Securities Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by a Registrant of expenses incurred or paid by a director, officer, partner or controlling person of the Registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer, partner or controlling person in connection with the securities being registered, the applicable Registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Securities Act and will be governed by the final adjudication of such issue.

(d) Each registrant hereby undertakes to file an application for the purpose of determining the eligibility of the trustee to act under subsection (a) of Section 310 of the Trust Indenture Act in accordance with the rules and regulations prescribed by the Commission under Section 305 (b)(2) of the Act.

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, Reckson Associates Realty Corp. certifies that it has reasonable grounds to believe that it meets all of the requirements for filing on Form S-3 and has duly caused this registration statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the Township of Huntington, State of New York, on November 10, 1998.

RECKSON ASSOCIATES REALTY CORP.

By: /s/ Donald J. Rechler  
-----  
Donald J. Rechler  
Chairman

KNOWN ALL MEN BY THESE PRESENTS, that we, the undersigned officers and directors of Reckson Associates Realty Corp. hereby severally constitute Scott H. Rechler, Mitchell D. Rechler and Michael Maturo, and each of them singly, our true and lawful attorneys with full power to them, and each of them singly, to sign for us and in our names in the capacities indicated below, the Registration Statement filed herewith and any and all amendments to said Registration Statement, and generally to do all such things in our names and in our capacities as officers and directors to enable Reckson Associates Realty Corp. to comply with the provisions of the Securities Act of 1933, and all requirements of the Securities and Exchange Commission, hereby ratifying and confirming our signatures as they may be signed by our said attorneys, or any of them, to said Registration Statement and any all amendments thereto.

Pursuant to the requirements of the Securities Act of 1933, this registration statement has been signed by the following persons in the capacities and on the dates indicated.

SIGNATURE -----	TITLE -----	DATE ----
/s/ Donald J. Rechler ----- Donald J. Rechler	Chairman of the Board, Chief Executive Officer and Director (Principal Executive Officer)	November 11, 1998
/s/ Scott H. Rechler ----- Scott H. Rechler	President, Chief Operating Officer and Director	November 11, 1998
/s/ Michael Maturo ----- Michael Maturo	Executive Vice President, Treasurer and Chief Financial Officer (Principal Financial Officer and Principal Accounting Officer)	November 11, 1998
/s/ Roger M. Rechler ----- Roger M. Rechler	Vice-Chairman of the Board and Director	November 11, 1998
/s/ Mitchell D. Rechler ----- Mitchell D. Rechler	Executive Vice President and Director	November 11, 1998
/s/ Harvey R. Blau ----- Harvey R. Blau	Director	November 11, 1998
/s/ Leonard Feinstein ----- Leonard Feinstein	Director	November 11, 1998

/s/ Herve A. Kevenides ----- Herve A. Kevenides	Director	November 11, 1998
/s/ John V.N. Klein ----- John V.N. Klein	Director	November 11, 1998
/s/ Lewis S. Ranieri ----- Lewis S. Ranieri	Director	November 11, 1998
_____ Conrad D. Stephenson	Director	

EXHIBIT INDEX

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- (1) To be filed by amendment or incorporated by reference in connection with the offering of Securities.
- (2) Previously filed as an exhibit to Registration Statement on Form S-11 (No. 33-84324) and incorporated herein by reference.

RECKSON OPERATING PARTNERSHIP, L.P.,

Issuer

and

RECKSON ASSOCIATES REALTY CORP.,

Guarantor

to

-----,

Trustee

-----

INDENTURE

-----

Dated as of \_\_\_\_\_, 199\_

Debt Securities

Reconciliation and tie between  
Trust Indenture Act of 1939 (the "Trust Indenture Act")  
and Indenture

Trust Indenture Act Section	Indenture Section
ss.310(a)(1)	607
(a)(2)	607
(b)	608
ss.312(a)	701
(b)	702
(c)	702
ss.313(a)	703
(b)(2)	703
(c)	703
(d)	703
ss.314(a)	704
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(c)(2)	102
(e)	102
(f)	102
ss.316(a) (last sentence)	101
(a)(1)(A)	502, 512
(a)(1)(B)	513
(b)	508
ss.317(a)(1)	503
(a)(2)	504
(b)	1003
ss.318(a)	108

Note: This reconciliation and tie shall not, for any purpose, be deemed to be part of the Indenture.

Attention should also be directed to Section 318(c) of the Trust Indenture Act, which provides that the provisions of Sections 310 to and including 317 are a part of and govern every qualified indenture, whether or not physically contained herein.

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INDENTURE, dated as of \_\_\_\_\_, 199\_ (the "Indenture"), among RECKSON OPERATING PARTNERSHIP, L.P., a limited partnership duly organized and existing under the laws of Delaware (hereinafter called the "Issuer"), having its principal executive office located at 225 Broadhollow Road, Melville, NY 11747, RECKSON ASSOCIATES REALTY CORP., a corporation duly organized and existing under the laws of the Maryland (hereinafter called the "Guarantor" or the "General Partner"), having its principal executive office at 225 Broadhollow Road, Melville, NY 11747, and \_\_\_\_\_, a \_\_\_\_\_ trust company duly organized and existing under the laws of the \_\_\_\_\_ of \_\_\_\_\_ (hereinafter called the "Trustee"), having its Corporate Trust Office located at \_\_\_\_\_.

RECITALS

The execution and delivery by the Issuer of this Indenture to provide for the issuance from time to time of the Issuer's senior unsecured debentures, notes or other evidences of indebtedness (hereinafter called the "Securities"), unlimited as to principal amount, to bear such rates of interest, to mature at such time or times, to be issued in one or more series and to have such other provisions as shall be fixed as hereinafter provided, has been duly authorized.

All things necessary to make this Indenture a valid agreement of the Issuer, in accordance with its terms, have been done.

For value received, the execution and delivery by the Guarantor of this Indenture to provide for the issuance of the Guarantee provided for herein has been duly authorized. All things necessary to make this Indenture a valid agreement of the Guarantor, in accordance with its terms, have been done.

This Indenture is subject to the provisions of the Trust Indenture Act of 1939, as amended, and the rules and regulations of the Securities and Exchange Commission promulgated thereunder that are required to be part of this Indenture and, to the extent applicable, shall be governed by

such provisions.

NOW, THEREFORE, THIS INDENTURE WITNESSETH:

For and in consideration of the premises and the purchase of the Securities by the Holders (as herein defined) thereof, it is mutually covenanted and agreed, for the equal and proportionate benefit of all Holders of the Securities or of any series thereof and any Coupons (as herein defined) as follows:

#### ARTICLE ONE

##### DEFINITIONS AND OTHER PROVISIONS OF GENERAL APPLICATION

###### Section 101. Definitions.

Except as otherwise expressly provided in or pursuant to this Indenture or unless the context otherwise requires, for all purposes of this Indenture:

(1) the terms defined in this Article have the meanings assigned to them in this Article, and include the plural as well as the singular;

(2) all other terms used herein which are defined in the Trust Indenture Act, either directly or by reference therein, have the meanings assigned to them therein;

(3) all accounting terms not otherwise defined herein have the meanings assigned to them in accordance with generally accepted accounting principles and, except as otherwise herein expressly provided, the terms "generally accepted accounting principles" or "GAAP" with respect to any computation required or permitted hereunder shall mean such accounting principles as are generally accepted at the date of such computation;

(4) the words "herein", "hereof", "hereto" and "hereunder" and other words of similar import refer to this Indenture as a whole and not to any particular Article, Section or other subdivision; and

(5) the word "or" is always used inclusively (for example, the phrase "A or B" means "A or B or both", not "either A or B but not both").

Certain terms used principally in certain Articles hereof are defined in those Articles.

"Act", when used with respect to any Holders, has the meaning specified in Section 104.

"Additional Amounts" means any additional amounts which are required hereby or by any Security, under circumstances specified herein or therein, to be paid by the Issuer in respect of certain taxes, assessments or other governmental charges imposed on Holders specified therein and which are owing to such Holders.

"Affiliate" of any specified Person means any other Person directly or indirectly controlling or controlled by or under direct or indirect common control with such specified Person. For the purposes of this definition, "control", when used with respect to any specified Person means the power to direct the management and policies of such Person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise; and the terms "controlling" and "controlled" have the meanings correlative to the foregoing.

"Authenticating Agent" means any Person authorized by the Trustee pursuant to Section 611 to act on behalf of the Trustee to authenticate Securities of one or more series.

"Authorized Newspaper" means a newspaper, in an official language of the place of publication or in the English language, customarily published on each day that is a Business Day in the place of publication, whether or not published on days that are Legal Holidays in the place of publication, and of general circulation in each place in connection with which the term is used or in the financial community of each such place. Where successive publications are required to be made in Authorized Newspapers, the successive publications may be made in the same or in different newspapers in the same city meeting the foregoing requirements and in each case on any day that is a Business Day in the place of publication.

"Bearer Security" means any Security in the form established pursuant to Section 201 which is payable to bearer.

"Board of Directors" means the board of directors of the General Partner or any committee of that board duly authorized to act hereunder.

"Board Resolution" means a copy of one or more resolutions, certified by the Secretary or an Assistant Secretary of the General Partner to have been duly adopted by the Board of Directors and to be in full force and effect on the date of such certification, delivered to the Trustee.

"Business Day", with respect to any Place of Payment or other location, means, unless otherwise specified with respect to any Securities pursuant to Section 301, any day other than a Saturday, Sunday or other day on which banking institutions in such Place of Payment or other location are authorized or obligated by law, regulation or executive order to close.

"Code" means the Internal Revenue Code of 1986, as amended, together with its predecessor.

"Commission" means the Securities and Exchange Commission, as from time to time constituted, created under the Securities Exchange Act of 1934, as amended, or, if at any time after the execution of this Indenture such



Commission is not existing and performing the duties now assigned to it under the Trust Indenture Act, then the body performing such duties at such time.

"Common Stock" includes any stock of any class of the General Partner which has no preference in respect of dividends or of amounts payable in the event of any voluntary or involuntary liquidation, dissolution or winding up of the General Partner and which is not subject to redemption by the General Partner.

"Consolidated Net Income" for any period means the amount of consolidated net income (or loss) of the Issuer and its Subsidiaries for such period determined on a consolidated basis in accordance with GAAP.

"Conversion Event" means the cessation of use of (i) a Foreign Currency both by the government of the country or the confederation which issued such Foreign Currency and for the settlement of transactions by a central bank or other public institutions of or within the international banking community or (ii) the Euro both within the European Monetary System and for the settlement of transactions by public institutions of or within the European Community.

"Corporate Trust Office" means the principal corporate trust office of the Trustee at which at any particular time its corporate trust business shall be administered, which office at the date of original execution of this Indenture is located at \_\_\_\_\_.

"Corporation" includes corporations and limited liability companies and, except for purposes of Article Eight, associations, companies and business trusts.

"Coupon" means any interest coupon appertaining to a Bearer Security.

"Currency," with respect to any payment, deposit or other transfer in respect of the principal of or any premium or interest on or any Additional Amounts with respect to any Security, means Dollars or the Foreign Currency, as the case may be, in which such payment, deposit or other transfer is required to be made by or pursuant to the terms hereof or such Security and, with respect to any other payment, deposit or transfer pursuant to or contemplated by the terms hereof or such Security, means Dollars.

"CUSIP number" means the alphanumeric designation assigned to a Security by Standard & Poor's Corporation, CUSIP Service Bureau.

"Defaulted Interest" has the meaning specified in Section 307.

"Dollars" or "\$" means a dollar or other equivalent unit of legal tender for payment of public or private debts in the United States of America.

"Euro" means the European Currency Units as defined and revised from time to time by the Council of the European Community.

"European Monetary System" means the European Monetary System established by the Resolution of December 5, 1978 of the Council of the European Community.

"European Union" means the European Community, the European Coal and Steel Community and the European Atomic Energy Community.

"Event of Default" has the meaning specified in Section 501.

"Foreign Currency" means any currency, currency unit or composite currency, including, without limitation, the Euro, issued by the government of one or more countries other than the United States of America or by any recognized confederation or association of such governments.

"GAAP" means such accounting principles as are generally accepted in the United States of America as of the date or time of any computation required hereunder.

"General Partner" means Reckson Associates Realty Corp., as the sole general partner of the Issuer.

"Government Obligations" means securities which are (i) direct obligations of the United States of America or the other government or governments in the confederation which issued the Foreign Currency in which the principal of or any premium or interest on such Security or any Additional Amounts in respect thereof shall be payable, in each case where the payment or payments thereunder are supported by the full faith and credit of such government or governments or (ii) obligations of a Person controlled or supervised by and acting as an agency or instrumentality of the United States of America or such other government or governments, in each case where the timely payment or payments thereunder are unconditionally guaranteed as a full faith and credit obligation by the United States of America or such other government or governments, and which, in the case of (i) or (ii), are not callable or redeemable at the option of the issuer or issuers thereof, and shall also include a depository receipt issued by a bank or trust company as custodian with respect to any such Government Obligation or a specific payment of interest on or principal of or other amount with respect to any such Government Obligation held by such custodian for the account of the holder of a depository receipt, provided that (except as required by law) such custodian is not authorized to make any deduction from the amount payable to the holder of such depository receipt from any amount received by the custodian in respect of the Government Obligation or the specific payment of interest on or principal of or other amount with respect to the Government Obligation evidenced by such depository receipt.

"Guarantee" means the unconditional guarantee of the payment of the principal of or any premium or interest on or any Additional Amounts with respect to the Guaranteed Securities by the Guarantor, as more fully set forth in Article Sixteen.

"Guaranteed Securities" means a series of Securities made subject to a Guarantee (as set forth in Article Sixteen) pursuant to Section 301.

"Guarantor" means the Person named as the "Guarantor" in the first paragraph of this instrument until a successor Person shall have become such pursuant to the applicable provisions of this Indenture, and thereafter "Guarantor" shall mean such successor Person.

"Guarantor's Board of Directors" means the board of directors of the Guarantor or any committee of that board duly authorized to act generally or in any particular respect for the Guarantor hereunder.

"Guarantor's Board Resolution" means a copy of one or more resolutions, certified by the Secretary or an Assistant Secretary of the Guarantor to have been duly adopted by the Guarantor's Board of Directors and to be in full force and effect on the date of such certification, delivered to the Trustee.

"Guarantor's Officers' Certificate" means a certificate signed by the Chairman, the President or a Vice President and by the Treasurer, an Assistant Treasurer, the Secretary or an Assistant Secretary, of the Guarantor, that complies with the requirements of Section 14(e) of the Trust Indenture Act and is delivered to the Trustee.

"Guarantor Request" and "Guarantor Order" mean, respectively, a written request or order signed in the name of the Guarantor by the Chairman, the President or a Vice President, and by the Treasurer, an Assistant Treasurer, the Secretary or an Assistant Secretary, of the Guarantor, and delivered to the Trustee.

"Holder," in the case of any Registered Security, means the Person in whose name such Security is registered in the Security Register and, in the case of any Bearer Security, means the bearer thereof and, in the case of any Coupon, means the bearer thereof.

"Indebtedness" means any indebtedness, whether or not contingent, in respect of (i) borrowed money evidenced by bonds, notes, debentures or similar instruments, (ii) indebtedness secured by any mortgage, pledge, lien, charge, encumbrance or any security interest existing on property, (iii) the reimbursement obligations, contingent or otherwise, in connection with any letters of credit actually issued or amounts representing the balance deferred and unpaid of the purchase price of any property except any such balance that constitutes an accrued expense or trade payable or (iv) any lease of property as lessee which would be reflected on a balance sheet as a capitalized lease in accordance with GAAP, in the case of items of indebtedness under (i) through (iii) above to the extent that any such items (other than letters of credit) would appear as a liability on a balance sheet in accordance with GAAP, and also includes, to the extent not otherwise included, any obligation to be liable for, or to pay, as obligor, guarantor or otherwise (other than for purposes of collection in the ordinary course of business), indebtedness of another person.

"Indenture" means this instrument as it may from time to time be supplemented or amended by one or more indentures supplemental hereto entered into pursuant to the applicable provisions hereof and, with respect to any Security, by the terms and provisions of such Security and any Coupon appertaining thereto established pursuant to Section 301 (as such terms and provisions may be amended pursuant to the applicable provisions hereof).

"Independent Public Accountants" means accountants or a firm of accountants that, with respect to the Issuer and the Guarantor and any other obligor under the Securities or the Coupons, are independent public accountants within the meaning of the Securities Act of 1933, as amended, and the rules and regulations promulgated by the Commission thereunder, who may be the independent public accountants regularly retained by the Issuer or the Guarantor or who may be other independent public accountants. Such accountants or firm shall be entitled to rely upon any Opinion of Counsel as to the interpretation of any legal matters relating to this Indenture or certificates required to be provided hereunder.

"Indexed Security" means a Security the terms of which provide that the principal amount thereof payable at Stated Maturity may be more or less than the principal face amount thereof at original issuance.

"Interest", with respect to any Original Issue Discount Security which by its terms bears interest only after Maturity, means interest payable after Maturity and, when used with respect to a Security which provides for the payment of Additional Amounts pursuant to Section 1004, includes such Additional Amounts.

"Interest Payment Date", with respect to any Security, means the Stated Maturity of an installment of interest on such Security.

"Issuer" means the Person named as the "Issuer" in the first paragraph of this instrument until a successor Person shall have become such pursuant to the applicable provisions of this Indenture, and thereafter "Issuer" shall mean such successor Person, and any other obligor upon the Securities.

"Issuer Request" and "Issuer Order" mean, respectively, a written request or order, as the case may be, signed in the name of the Issuer by the Chairman of the Board of Directors, a Vice Chairman, the President or a Vice President, and by the Treasurer, an Assistant Treasurer, the Secretary or an Assistant Secretary, of the General Partner acting in its capacity as the general partner of the Issuer, and delivered to the Trustee.

"Judgment Currency" has the meaning specified in Section 116.

"Legal Holiday" means a day that is not a Business Day.

"Maturity", with respect to any Security, means the date on which the principal of such Security or an installment of principal becomes due and

payable as provided in or pursuant to this Indenture, whether at the Stated Maturity or by declaration of acceleration, notice of redemption or repurchase, notice of option to elect repayment or otherwise, and includes the Redemption Date.

"New York Banking Day" has the meaning specified in Section 116.

"Office" or "Agency", with respect to any Securities, means an office or agency of the Issuer or the Guarantor maintained or designated in a Place of Payment for such Securities pursuant to Section 1002 or any other office or agency of the Issuer maintained or designated for such Securities pursuant to Section 1002 or, to the extent designated or required by Section 1002 in lieu of such office or agency, the Corporate Trust Office of the Trustee.

"Officers' Certificate" means a certificate signed by the Chairman of the Board, a Vice Chairman, the President or a Vice President, and by the Treasurer, an Assistant Treasurer, the Secretary or an Assistant Secretary of the General Partner in its capacity as sole managing general partner of the Issuer, that complies with the requirements of Section 314(e) of the Trust Indenture Act and is delivered to the Trustee.

"Opinion of Counsel" means a written opinion of counsel, who may be an employee of or counsel for the Issuer or the Guarantor, as the case may be, or other counsel who shall be reasonably acceptable to the Trustee, that, if required by the Trust Indenture Act, complies with the requirements of Section 314(e) of the Trust Indenture Act.

"Original Issue Discount Security" means a Security issued pursuant to this Indenture which provides for declaration of an amount less than the principal face amount thereof to be due and payable upon acceleration pursuant to Section 502.

"Outstanding", when used with respect to any Securities, means, as of the date of determination, all such Securities theretofore authenticated and delivered under this Indenture, except:

- (a) any such Security theretofore cancelled by the Trustee or the Security Registrar or delivered to the Trustee or the Security Registrar for cancellation;
- (b) any such Security for whose payment at the Maturity thereof money in the necessary amount has been theretofore deposited pursuant hereto (other than pursuant to Section 402) with the Trustee or any Paying Agent (other than the Issuer or the Guarantor) in trust or set aside and segregated in trust by the Issuer or the Guarantor (if the Issuer shall act as its own, or authorize the Guarantor to act as, Paying Agent) for the Holders of such Securities and any Coupons appertaining thereto, provided that, if such Securities are to be redeemed, notice of such redemption has been duly given pursuant to this Indenture or provision therefor satisfactory to the Trustee has been made;
- (c) any such Security with respect to which the Issuer or the Guarantor has effected defeasance pursuant to the terms hereof, except to the extent provided in Section 402; and
- (d) any such Security which has been paid pursuant to Section 306 or in exchange for or in lieu of which other Securities have been authenticated and delivered pursuant to this Indenture, unless there shall have been presented to the Trustee proof satisfactory to it that such Security is held by a bona fide purchaser in whose hands such Security is a valid obligation of the Issuer.

provided, however, that in determining whether the Holders of the requisite principal amount of Outstanding Securities have given any request, demand, authorization, direction, notice, consent or waiver hereunder or are present at a meeting of Holders of Securities for quorum purposes, (i) the principal amount of an Original Issue Discount Security that may be counted in making such determination and that shall be deemed to be Outstanding for such purposes shall be equal to the amount of the principal thereof that pursuant to the terms of such Original Issue Discount Security would be declared (or shall have been declared to be) due and payable upon a declaration of acceleration thereof pursuant to Section 502 at the time of such determination, and (ii) the principal amount of any Indexed Security that may be counted in making such determination and that shall be deemed outstanding for such purpose shall be equal to the principal face amount of such Indexed Security at original issuance, unless otherwise provided in or pursuant to this Indenture, and (iii) the principal amount of a Security denominated in a Foreign Currency shall be the Dollar equivalent, determined on the date of original issuance of such Security, of the principal amount (or, in the case of an Original Issue Discount Security, the Dollar equivalent on the date of original issuance of such Security of the amount determined as provided in (i) above) of such Security, and (iv) Securities owned by the Issuer, the Guarantor or any other obligor upon the Securities or any Affiliate of the Issuer, the Guarantor or such other obligor, shall be disregarded and deemed not to be Outstanding, except that, in determining whether the Trustee shall be protected in making any such determination or relying upon any such request, demand, authorization, direction, notice, consent or waiver, only Securities which a Responsible Officer of the Trustee knows to be so owned shall be so disregarded. Securities so owned which shall have been pledged in good faith may be regarded as Outstanding if the pledgee establishes to the satisfaction of the Trustee (A) the pledgee's right so to act with respect to such Securities and (B) that the pledgee is not the Issuer, the Guarantor or any other obligor upon the Securities or any Coupons appertaining thereto or an Affiliate of the Issuer, the Guarantor or such other obligor.

"Paying Agent" means any Person authorized by the Issuer to pay the principal of, or any premium or interest on, or any Additional Amounts with

respect to, any Security or any Coupon on behalf of the Issuer.

"Person" means any individual, Corporation, partnership, joint venture, joint-stock company, trust, unincorporated organization or government or any agency or political subdivision thereof.

"Place of Payment," with respect to any Security, means the place or places where the principal of, or any premium or interest on, or any Additional Amounts with respect to such Security are payable as provided in or pursuant to this Indenture or such Security.

"Predecessor Security" of any particular Security means every previous Security evidencing all or a portion of the same Indebtedness as that evidenced by such particular Security; and, for the purposes of this definition, any Security authenticated and delivered under Section 306 in exchange for or in lieu of a lost, destroyed, mutilated or stolen Security or any Security to which a mutilated, destroyed, lost or stolen Coupon appertains shall be deemed to evidence the same Indebtedness as the lost, destroyed, mutilated or stolen Security or the Security to which a mutilated, destroyed, lost or stolen Coupon appertains.

"Redemption Date", with respect to any Security or portion thereof to be redeemed, means the date fixed for such redemption by or pursuant to this Indenture or such Security.

"Redemption Price", with respect to any Security or portion thereof to be redeemed, means the price at which it is to be redeemed as determined by or pursuant to this Indenture or such Security.

"Registered Security" means any Security established pursuant to Section 201 which is registered in the Security Register.

"Regular Record Date" for the interest payable on any Registered Security on any Interest Payment Date therefor means the date, if any, specified in or pursuant to this Indenture or such Security as the "Regular Record Date".

"Required Currency" has the meaning specified in Section 116.

"Responsible Officer" means any officer of the Trustee in its Corporate Trust Office and also means, with respect to a particular corporate trust matter, any other officer of the Trustee to whom such matter is referred because of his knowledge of and familiarity with the particular subject.

"Security" or "Securities" means any note or notes, bond or bonds, debenture or debentures, or any other evidences of Indebtedness, as the case may be, authenticated and delivered under this Indenture; provided, however, that, if at any time there is more than one Person acting as Trustee under this Indenture, "Securities", with respect to any such Person, shall mean Securities authenticated and delivered under this Indenture, exclusive, however, of Securities of any series as to which such Person is not Trustee.

"Security Register" and "Security Registrar" have the respective meanings specified in Section 305.

"Special Record Date" for the payment of any Defaulted Interest on any Registered Security means a date fixed by the Trustee pursuant to Section 307.

"Stated Maturity", with respect to any Security or any installment of principal thereof or interest thereon or any Additional Amounts with respect thereto, means the date established by or pursuant to this Indenture or such Security as the fixed date on which the principal of such Security or such installment of principal or interest is, or such Additional Amounts are, due and payable.

"Subsidiary" means any entity of which at the time of determination the Issuer or one or more subsidiaries owns or controls directly or indirectly more than 50% of the shares of Voting Stock.

"Trust Indenture Act" means the Trust Indenture Act of 1939, as amended, and any reference herein to the Trust Indenture Act or a particular provision thereof shall mean such Act or provision, as the case may be, as amended or replaced from time to time or as supplemented from time to time by rules or regulations adopted by the Commission under or in furtherance of the purposes of such Act or provision, as the case may be.

"Trustee" means the Person named as the "Trustee" in the first paragraph of this instrument until a successor Trustee shall have become such with respect to one or more series of Securities pursuant to the applicable provisions of this Indenture, and thereafter "Trustee" shall mean each Person who is then a Trustee hereunder; provided, however, that if at any time there is more than one such Person, "Trustee" shall mean each such Person and as used with respect to the Securities of any series shall mean the Trustee with respect to the Securities of such series.

"Undepreciated Real Estate Assets" means as of any date the cost (original cost plus capital improvements) of real estate assets of the Issuer and its Subsidiaries on such date, before depreciation and amortization, determined on a consolidated basis in accordance with GAAP.

"United States," except as otherwise provided in or pursuant to this Indenture or any Security, means the United States of America (including the states thereof and the District of Columbia), its territories and possessions and other areas subject to its jurisdiction.

"United States Alien," except as otherwise provided in or pursuant to this Indenture or any Security, means any Person who, for United States Federal income tax purposes, is a foreign corporation, a non-resident alien individual, a non-resident alien fiduciary of a foreign estate or trust, or a foreign partnership one or more of the members of which is, for United States Federal income tax purposes, a foreign corporation, a non-resident alien individual or a

non-resident alien fiduciary of a foreign estate or trust.

"Unsecured Debt" means Indebtedness of the Issuer or any Subsidiary which is not secured by any mortgage, lien, charge, pledge or security interest of any kind upon any of the properties owned by the Issuer or any of its Subsidiaries.

"U.S. Depository" or "Depository" means, with respect to any Security issuable or issued in the form of one or more global Securities, the Person designated as U.S. Depository or Depository by the Issuer in or pursuant to this Indenture, which Person must be, to the extent required by applicable law or regulation, a clearing agency registered under the Securities Exchange Act of 1934, as amended, and, if so provided with respect to any Security, any successor to such Person. If at any time there is more than one such Person, "U.S. Depository" or "Depository" shall mean, with respect to any Securities, the qualifying entity which has been appointed with respect to such Securities.

"Vice President," when used with respect to a vice president of the General Partner acting in its capacity as the sole managing general partner of the Issuer, or with respect to the Guarantor or the Trustee, means any vice president, whether or not designated by a number or a word or words added before or after the title "Vice President".

"Voting Stock" means stock of a Corporation of the class or classes having general voting power under ordinary circumstances to elect at least a majority of the board of directors, managers or trustees of such Corporation provided that, for the purposes hereof, stock which carries only the right to vote conditionally on the happening of an event shall not be considered voting stock whether or not such event shall have happened.

#### Section 102. Compliance Certificates and Opinions.

Except as otherwise expressly provided in this Indenture, upon any application or request by the Issuer or the Guarantor to the Trustee to take any action under any provision of this Indenture, the Issuer or the Guarantor, as the case may be, shall furnish to the Trustee an Officers' Certificate or a Guarantor's Officers' Certificate, as the case may be, stating that all conditions precedent, if any, provided for in this Indenture relating to the proposed action have been complied with and an Opinion of Counsel stating that, in the opinion of such counsel, all such conditions precedent, if any, have been complied with, except that in the case of any such application or request as to which the furnishing of such documents or any of them is specifically required by any provision of this Indenture relating to such particular application or request, no additional certificate or opinion need be furnished.

#### Section 103. Form of Documents Delivered to Trustee.

In any case where several matters are required to be certified by, or covered by an opinion of, any specified Person, it is not necessary that all such matters be certified by, or covered by the opinion of, only one such Person, or that they be so certified or covered by only one document, but one such Person may certify or give an opinion with respect to some matters and one or more other such Persons as to other matters, and any such Person may certify or give an opinion as to such matters in one or several documents.

Any certificate or opinion of an officer of the Issuer or the Guarantor may be based, insofar as it relates to legal matters, upon an Opinion of Counsel, unless such officer knows, or in the exercise of reasonable care should know, that the opinion with respect to the matters upon which his certificate or opinion is based are erroneous. Any such Opinion of Counsel may be based, insofar as it relates to factual matters, upon a certificate or opinion of, or representations by, an officer or officers of the Issuer or the Guarantor, as the case may be, stating that the information with respect to such factual matters is in the possession of the Issuer or the Guarantor, as the case may be, unless such counsel knows, or in the exercise of reasonable care should know, that the certificate or opinion or representations with respect to such matters are erroneous.

Where any Person is required to make, give or execute two or more applications, requests, consents, certificates, statements, opinions or other instruments under this Indenture or any Security, they may, but need not, be consolidated and form one instrument.

#### Section 104. Acts of Holders.

(1) Any request, demand, authorization, direction, notice, consent, waiver or other action provided by or pursuant to this Indenture to be given or taken by Holders may be embodied in and evidenced by one or more instruments of substantially similar tenor signed by such Holders in person or by an agent duly appointed in writing. If, but only if, Securities of a series are issuable as Bearer Securities, any request, demand, authorization, direction, notice, consent, waiver or other action provided in or pursuant to this Indenture to be given or taken by Holders of Securities of such series may, alternatively, be embodied in and evidenced by the record of Holders of Securities of such series voting in favor thereof, either in person or by proxies duly appointed in writing, at any meeting of Holders of Securities of such series duly called and held in accordance with the provisions of Article Fifteen, or a combination of such instruments and any such record. Except as herein otherwise expressly provided, such action shall become effective when such instrument or instruments or record or both are delivered to the Trustee and, where it is hereby expressly required, to the Issuer and the Guarantor. Such instrument or instruments and any such record (and the action embodied therein and evidenced thereby) are herein sometimes referred to as the "Act" of the Holders signing such instrument or instruments or so voting at any such meeting. Proof of execution of any such instrument or of a writing appointing any such agent, or of the holding by any Person of a Security, shall be sufficient for any purpose of this Indenture and (subject to Section 315 of the Trust Indenture Act) conclusive in favor of the Trustee and the Issuer and the Guarantor and any agent of the Trustee or the Issuer and the Guarantor, if made in the manner provided in this Section. The record of any meeting of Holders of Securities shall be proved in the manner

provided in Section 1506.

Without limiting the generality of this Section 104, unless otherwise provided in or pursuant to this Indenture, a Holder, including a U.S. Depository that is a Holder of a global Security, may make, give or take, by a proxy, or proxies, duly appointed in writing, any request, demand, authorization, direction, notice, consent, waiver or other Act provided in or pursuant to this Indenture to be made, given or taken by Holders, and a U.S. Depository that is a Holder of a global Security may provide its proxy or proxies to the beneficial owners of interests in any such global Security through such U.S. Depository's standing instructions and customary practices.

The Trustee shall fix a record date for the purpose of determining the Persons who are beneficial owners of interest in any permanent global Security held by a U.S. Depository entitled under the procedures of such U.S. Depository to make, give or take, by a proxy or proxies duly appointed in writing, any request, demand, authorization, direction, notice, consent, waiver or other Act provided in or pursuant to this Indenture to be made, given or taken by Holders. If such a record date is fixed, the Holders on such record date or their duly appointed proxy or proxies, and only such Persons, shall be entitled to make, give or take such request, demand, authorization, direction, notice, consent, waiver or other Act, whether or not such Holders remain Holders after such record date. No such request, demand, authorization, direction, notice, consent, waiver or other Act shall be valid or effective if made, given or taken more than 90 days after such record date.

(2) The fact and date of the execution by any Person of any such instrument or writing may be proved in any reasonable manner which the Trustee deems sufficient and in accordance with such reasonable rules as the Trustee may determine; and the Trustee may in any instance require further proof with respect to any of the matters referred to in this Section.

(3) The ownership, principal amount and serial numbers of Registered Securities held by any Person, and the date of the commencement and the date of the termination of holding the same, shall be proved by the Security Register.

(4) The ownership, principal amount and serial numbers of Bearer Securities held by any Person, and the date of the commencement and the date of the termination of holding the same, may be proved by the production of such Bearer Securities or by a certificate executed, as depository, by any trust company, bank, banker or other depository reasonably acceptable to the Issuer and the Guarantor, wherever situated, if such certificate shall be deemed by the Issuer and the Trustee to be satisfactory, showing that at the date therein mentioned such Person had on deposit with such depository, or exhibited to it, the Bearer Securities therein described; or such facts may be proved by the certificate or affidavit of the Person holding such Bearer Securities, if such certificate or affidavit is deemed by the Trustee to be satisfactory. The Trustee, the Guarantor and the Issuer may assume that such ownership of any Bearer Security continues until (1) another certificate or affidavit bearing a later date issued in respect of the same Bearer Security is produced, or (2) such Bearer Security is produced to the Trustee by some other Person, or (3) such Bearer Security is surrendered in exchange for a Registered Security, or (4) such Bearer Security is no longer Outstanding. The ownership, principal amount and serial numbers of Bearer Securities held by the Person so executing such instrument or writing and the date of the commencement and the date of the termination of holding the same may also be proved in any other manner which the Issuer and the Trustee deem sufficient.

(5) If the Issuer or the Guarantor shall solicit from the Holders of any Registered Securities any request, demand, authorization, direction, notice, consent, waiver or other Act, the Issuer or the Guarantor, as the case may be, may at its option (but is not obligated to), by Board Resolution or Guarantor's Board Resolution, as the case may be, fix in advance a record date for the determination of Holders of Registered Securities entitled to give such request, demand, authorization, direction, notice, consent, waiver or other Act. If such a record date is fixed, such request, demand, authorization, direction, notice, consent, waiver or other Act may be given before or after such record date, but only the Holders of Registered Securities of record at the close of business on such record date shall be deemed to be Holders for the purpose of determining whether Holders of the requisite proportion of Outstanding Securities have authorized or agreed or consented to such request, demand, authorization, direction, notice, consent, waiver or other Act, and for that purpose the Outstanding Securities shall be computed as of such record date; provided that no such authorization, agreement or consent by the Holders of Registered Securities shall be deemed effective unless it shall become effective pursuant to the provisions of this Indenture not later than six months after the record date.

(6) Any request, demand, authorization, direction, notice, consent, waiver or other Act by the Holder of any Security shall bind every future Holder of the same Security and the Holder of every Security issued upon the registration of transfer thereof or in exchange therefor or in lieu thereof in respect of anything done or suffered to be done by the Trustee, any Security Registrar, any Paying Agent, the Guarantor or the Issuer in reliance thereon, whether or not notation of such Act is made upon such Security.

Section 105. Notices, etc., to Trustee and Issuer and Guarantor.

Any request, demand, authorization, direction, notice, consent, waiver or other Act of Holders or other document provided or permitted by this Indenture to be made upon, given or furnished to, or filed with,

(1) the Trustee by any Holder, the Guarantor or the Issuer shall be sufficient for every purpose hereunder if made, given, furnished or filed in writing to or with the Trustee at its Corporate Trust Office, or

(2) the Issuer or the Guarantor by the Trustee or any Holder shall be sufficient for every purpose hereunder (unless otherwise herein expressly provided) if in writing and mailed, first-class postage prepaid, to the Issuer or the Guarantor, as the case may be, addressed to the attention of

its Treasurer at the address of its principal office specified in the first paragraph of this instrument or at any other address previously furnished in writing to the Trustee by the Issuer or the Guarantor, as the case may be.

#### Section 106. Notice to Holders of Securities; Waiver.

Except as otherwise expressly provided in or pursuant to this Indenture, where this Indenture provides for notice to Holders of Securities of any event,

(1) such notice shall be sufficiently given to Holders of Registered Securities if in writing and mailed, first-class postage prepaid, to each Holder of a Registered Security affected by such event, at his address as it appears in the Security Register, not later than the latest date, and not earlier than the earliest date, prescribed for the giving of such notice; and

(2) such notice shall be sufficiently given to Holders of Bearer Securities, if any, if published in an Authorized Newspaper in The City of New York and, if such Securities are then listed on any stock exchange outside the United States, in an Authorized Newspaper in such city as the Issuer shall advise the Trustee that such stock exchange so requires, on a Business Day at least twice, the first such publication to be not earlier than the earliest date and the second such publication not later than the latest date prescribed for the giving of such notice.

In any case where notice to Holders of Registered Securities is given by mail, neither the failure to mail such notice, nor any defect in any notice so mailed, to any particular Holder of a Registered Security shall affect the sufficiency of such notice with respect to other Holders of Registered Securities or the sufficiency of any notice to Holders of Bearer Securities given as provided herein. Any notice which is mailed in the manner herein provided shall be conclusively presumed to have been duly given or provided. In the case by reason of the suspension of regular mail service or by reason of any other cause it shall be impracticable to give such notice by mail, then such notification as shall be made with the approval of the Trustee shall constitute a sufficient notification for every purpose hereunder.

In case by reason of the suspension of publication of any Authorized Newspaper or Authorized Newspapers or by reason of any other cause it shall be impracticable to publish any notice to Holders of Bearer Securities as provided above, then such notification to Holders of Bearer Securities as shall be given with the approval of the Trustee shall constitute sufficient notice to such Holders for every purpose hereunder. Neither failure to give notice by publication to Holders of Bearer Securities as provided above, nor any defect in any notice so published, shall affect the sufficiency of any notice mailed to Holders of Registered Securities as provided above.

Where this Indenture provides for notice in any manner, such notice may be waived in writing by the Person entitled to receive such notice, either before or after the event, and such waiver shall be the equivalent of such notice. Waivers of notice by Holders of Securities shall be filed with the Trustee, but such filing shall not be a condition precedent to the validity of any action taken in reliance upon such waiver.

#### Section 107. Language of Notices.

Any request, demand, authorization, direction, notice, consent, election or waiver required or permitted under this Indenture shall be in the English language, except that, if the Issuer or the Guarantor, as the case may be, so elects, any published notice may be in an official language of the country of publication.

#### Section 108. Conflict with Trust Indenture Act.

If any provision hereof limits, qualifies or conflicts with any duties under any required provision of the Trust Indenture Act imposed hereon by Section 318(c) thereof, such required provision shall control.

#### Section 109. Effect of Headings and Table of Contents.

The Article and Section headings herein and the Table of Contents are for convenience only and shall not affect the construction hereof.

#### Section 110. Successors and Assigns.

All covenants and agreements in this Indenture by the Issuer shall bind its successors and assigns, whether so expressed or not. All covenants and agreements in this Indenture by the Guarantor shall bind its successors and assigns, whether so expressed or not.

#### Section 111. Separability Clause.

In case any provision in this Indenture, any Security or any Coupon shall be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired thereby.

#### Section 112. Benefits of Indenture.

Nothing in this Indenture, any Security or any Coupon, express or implied, shall give to any Person, other than the parties hereto, any Security Registrar, any Paying Agent and their successors hereunder and the Holders of Securities or Coupons, any benefit or any legal or equitable right, remedy or claim under this Indenture.

#### Section 113. Governing Law.

This Indenture, the Securities and any Coupons shall be governed by

and construed in accordance with the laws of the State of New York applicable to agreements made or instruments entered into and, in each case, performed in said state.

Section 114. Legal Holidays.

Unless otherwise specified in or pursuant to this Indenture or any Securities, in any case where any Interest Payment Date, Stated Maturity or Maturity of any Security, or the last date on which a Holder has the right to convert or exchange Securities of a series that are convertible or exchangeable, shall be a Legal Holiday at any Place of Payment, then (notwithstanding any other provision of this Indenture, any Security or any Coupon other than a provision in any Security or Coupon that specifically states that such provision shall apply in lieu hereof) payment need not be made at such Place of Payment on such date, and such Securities need not be converted or exchanged on such date but such payment may be made, and such Securities may be converted or exchanged, on the next succeeding day that is a Business Day at such Place of Payment with the same force and effect as if made on the Interest Payment Date or at the Stated Maturity or Maturity or on such last day for conversion or exchange, and no interest shall accrue on the amount payable on such date or at such time for the period from and after such Interest Payment Date, Stated Maturity, Maturity or last day for conversion or exchange, as the case may be, to the next succeeding Business Day.

Section 115. Counterparts.

This Indenture may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

Section 116. Judgment Currency.

The Issuer agrees, to the fullest extent that it may effectively do so under applicable law, that (a) if for the purpose of obtaining judgment in any court it is necessary to convert the sum due in respect of the principal of, or premium or interest, if any, or Additional Amounts on the Securities of any series (the "Required Currency") into a currency in which a judgment will be rendered (the "Judgment Currency"), the rate of exchange used shall be the rate at which in accordance with normal banking procedures the Trustee could purchase in The City of New York the Required Currency with the Judgment Currency on the New York Banking Day preceding that on which a final unappealable judgment is given and (b) its obligations under this Indenture to make payments in the Required Currency (i) shall not be discharged or satisfied by any tender, or any recovery pursuant to any judgment (whether or not entered in accordance with clause (a)), in any currency other than the Required Currency, except to the extent that such tender or recovery shall result in the actual receipt, by the payee, of the full amount of the Required Currency expressed to be payable in respect of such payments, (ii) shall be enforceable as an alternative or additional cause of action for the purpose of recovering in the Required Currency the amount, if any, by which such actual receipt shall fall short of the full amount of the Required Currency so expressed to be payable and (iii) shall not be affected by judgment being obtained for any other sum due under this Indenture. For purposes of the foregoing, "New York Banking Day" means any day except a Legal Holiday in The City of New York.

ARTICLE TWO

SECURITIES FORMS

Section 201. Forms Generally.

Each Registered Security, Bearer Security, Coupon and temporary or permanent global Security issued pursuant to this Indenture shall be in the form established by or pursuant to a Board Resolution or in one or more indentures supplemental hereto, shall have such appropriate insertions, omissions, substitutions and other variations as are required or permitted by or pursuant to this Indenture or any indenture supplemental hereto and may have such letters, numbers or other marks of identification and such legends or endorsements placed thereon as may, consistently herewith, be determined by the officers executing such Security or Coupon as evidenced by their execution of such Security or Coupon.

Unless otherwise provided in or pursuant to this Indenture or any Securities, the Securities shall be issuable in registered form without Coupons and shall not be issuable upon the exercise of warrants.

Definitive Securities and definitive Coupons shall be printed, lithographed or engraved or produced by any combination of these methods on a steel engraved border or steel engraved borders or may be produced in any other manner, all as determined by the officers of the Issuer executing such Securities or Coupons, as evidenced by their execution of such Securities or Coupons.

Section 202. Form of Trustee's Certificate of Authentication.

Subject to Section 611, the Trustee's certificate of authentication shall be in substantially the following form:

This is one of the Securities of the series designated therein referred to in the within-mentioned Indenture.

\_\_\_\_\_  
as Trustee  
By \_\_\_\_\_  
Authorized Officer

Section 203. Securities in Global Form.



Unless otherwise provided in or pursuant to this Indenture or any Securities, the Securities shall not be issuable in temporary or permanent global form. If Securities of a series shall be issuable in global form, any such Security may provide that it or any number of such Securities shall represent the aggregate amount of all Outstanding Securities of such series (or such lesser amount as is permitted by the terms thereof) from time to time endorsed thereon and may also provide that the aggregate amount of Outstanding Securities represented thereby may from time to time be increased or reduced to reflect exchanges. Any endorsement of any Security in global form to reflect the amount, or any increase or decrease in the amount, or changes in the rights of Holders, of Outstanding Securities represented thereby shall be made in such manner and by such Person or Persons as shall be specified therein or in the Issuer Order to be delivered pursuant to Section 303 or 304 with respect thereto. Subject to the provisions of Section 303 and, if applicable, Section 304, the Trustee shall deliver and redeliver any Security in permanent global form in the manner and upon instructions given by the Person or Persons specified therein or in the applicable Issuer Order. If an Issuer Order pursuant to Section 303 or 304 has been, or simultaneously is, delivered, any instructions by the Issuer with respect to a Security in global form shall be in writing but need not be accompanied by or contained in an Officers' Certificate and need not be accompanied by an Opinion of Counsel.

Notwithstanding the provisions of Section 307, unless otherwise specified in or pursuant to this Indenture or any Securities, payment of principal of, any premium and interest on, and any Additional Amounts in respect of, any Security in temporary or permanent global form shall be made to the Person or Persons specified therein.

Notwithstanding the provisions of Section 308 and except as provided in the preceding paragraph, the Issuer, the Trustee and any agent of the Issuer and the Trustee shall treat as the Holder of such principal amount of Outstanding Securities represented by a global Security (i) in the case of a global Security in registered form, the Holder of such global Security in registered form, or (ii) in the case of a global Security in bearer form, the Person or Persons specified pursuant to Section 301.

### ARTICLE THREE

#### THE SECURITIES

##### Section 301. Amount Unlimited; Issuable in Series.

The aggregate principal amount of Securities which may be authenticated and delivered under this Indenture is unlimited. The Securities may be issued in one or more series.

With respect to any Securities to be authenticated and delivered hereunder, there shall be established in or pursuant to a Board Resolution and set forth in an Officers' Certificate, or established in one or more indentures supplemental hereto,

(1) the title of the Securities of the series (which shall distinguish the Securities of such series from all other series of Securities);

(2) any limit upon the aggregate principal amount of the Securities of the series that may be authenticated and delivered under this Indenture (except for Securities authenticated and delivered upon registration of transfer of, or in exchange for, or in lieu of, other Securities of the series pursuant to Section 304, 305, 306, 905 or 1107);

(3) the percentage of the principal amount at which the Securities of the series will be issued and, if other than the principal amount thereof, the portion of the principal amount thereof payable upon declaration of acceleration of maturity thereof;

(4) the date or dates, or the method by which such date or dates will be determined, on which the principal of the Securities of the series shall be payable;

(5) the rate or rates at which the Securities of the series shall bear interest, if any, or the method by which such rate or rates shall be determined, the date or dates from which such interest shall accrue or the method by which such date or dates shall be determined, the Interest Payment Dates on which such interest will be payable and the Regular Record Date, if any, for the interest payable on any Registered Security on any Interest Payment Date, or the method by which such date shall be determined, the person to whom such interest shall be payable, and the basis upon which interest shall be calculated if other than that of a 360-day year of twelve 30-day months;

(6) the place or places, if any, other than or in addition to the City of \_\_\_\_\_, \_\_\_\_\_, where the principal of (and premium, if any), interest, if any, on, and Additional Amounts, if any, payable in respect of, Securities of the series shall be payable, any Registered Securities of the series may be surrendered for registration of transfer or exchange and notices or demands to or upon the Issuer in respect of the Securities of the series and this Indenture may be served;

(7) the period or periods within which, the price or prices at which, the currency or currencies, currency unit or units or composite currency or currencies in which, and other terms and conditions upon which Securities of the series may be redeemed, in whole or in part, at the option of the Issuer, if the Issuer is to have the option;

(8) the obligation, if any, of the Issuer to redeem, repay or purchase Securities of the series pursuant to any sinking fund or analogous provision or at the option of a Holder thereof, and the period or periods within which or the date or dates on which, the price or prices at which, the currency or currencies, currency unit or units or composite currency or currencies in which, and other terms and conditions upon which Securities

of the series shall be redeemed, repaid or purchased, in whole or in part, pursuant to such obligation;

(9) if other than denominations of \$1,000 and any integral multiple thereof, the denominations in which any Registered Securities of the series shall be issuable and, if other than denominations of \$5,000 and any integral multiple thereof, the denomination or denominations in which any Bearer Securities of the series shall be issuable;

(10) if other than the Trustee, the identity of each Security Registrar and/or Paying Agent;

(11) if other than the principal amount thereof, the portion of the principal amount of Securities of the series that shall be payable upon declaration of acceleration of the Maturity thereof pursuant to Section 502 or the method by which such portion shall be determined;

(12) if other than Dollars, the Foreign Currency or Currencies in which payment of the principal of (and premium, if any) or interest or Additional Amounts, if any, on the Securities of the series shall be payable or in which the Securities of the series shall be denominated;

(13) whether the amount of payments of principal of (and premium, if any) or interest, if any, on the Securities of the series may be determined with reference to an index, formula or other method (which index, formula or method may be based, without limitation, on one or more currencies, currency units, composite currencies, commodities, equity indices or other indices), and the manner in which such amounts shall be determined;

(14) whether the principal of (and premium, if any) or interest or Additional Amounts, if any, on the Securities of the series are to be payable, at the election of the Issuer or a Holder thereof, in a currency or currencies, currency unit or units or composite currency or currencies other than that in which such Securities are denominated or stated to be payable, the period or periods within which, and the terms and conditions upon which, such election may be made, and the time and manner of, and identity of the exchange rate agent with responsibility for, determining the exchange rate between the currency or currencies, currency unit or units or composite currency or currencies in which such Securities are denominated or stated to be payable and the currency or currencies, currency unit or units or composite currency or currencies in which such Securities are to be so payable;

(15) provisions, if any, granting special rights to the Holders of Securities of the series upon the occurrence of such events as may be specified;

(16) any deletions from, modifications of or additions to the Events of Default or covenants of the Issuer with respect to Securities of the series, whether or not such Events of Default or covenants are consistent with the Events of Default or covenants set forth herein;

(17) whether Securities of the series are to be issuable as Registered Securities, Bearer Securities (with or without coupons) or both, any restrictions applicable to the offer, sale or delivery of Bearer Securities and the terms upon which Bearer Securities of the series may be exchanged for Registered Securities of the series and vice versa (if permitted by applicable laws and regulations), whether any Securities of the series are to be issuable initially in temporary global form and whether any Securities of the series are to be issuable in permanent global form with or without coupons and, if so, whether beneficial owners of interests in any such permanent global Security may exchange such interests for Securities of such series and of like tenor of any authorized form and denomination and the circumstances under which any such exchanges may occur, if other than in the manner provided in Section 305, and, if Registered Securities of the series are to be issuable as a global Security, the identity of the depository for such series;

(18) the date as of which any Bearer Securities of the series and any temporary global Security representing Outstanding Securities of the series shall be dated if other than the date of original issuance of the first Security of the series to be issued;

(19) the Person to whom any interest on any Registered Security of the series shall be payable, if other than the Person in whose name that Security (or one or more Predecessor Securities) is registered at the close of business on the Regular Record Date for such interest, the manner in which, or the Person to whom, any interest on any Bearer Security of the series shall be payable, if otherwise than upon presentation and surrender of the coupons appertaining thereto as they severally mature, and the extent to which, or the manner in which, any interest payable on a temporary global Security on an Interest Payment Date will be paid if other than in the manner provided in Section 304;

(20) if the Securities of such series are to be Guaranteed Securities;

(21) if either or both of Section 402(2) relating to defeasance or Section 402(3) relating to covenant defeasance shall not be applicable to the Securities of such series or any provisions in modification of, in addition to or in lieu of any of the provisions of Article Four;

(22) if the Securities of such series are to be issuable in definitive form (whether upon original issue or upon exchange of a temporary Security of such series) only upon receipt of certain certificates or other documents or satisfaction of other conditions, then the form and/or terms of such certificates, documents or conditions;

(23) if the Securities of the series are to be issued upon the exercise of warrants, the time, manner and place for such Securities to be authenticated and delivered;

(24) whether and under what circumstances the Issuer will pay Additional Amounts on the Securities of the series to any Holder who is not a United States person (including any modification to the definition of such term) in respect of any tax, assessment or governmental charge and, if so, whether the Issuer will have the option to redeem such Securities rather than pay such Additional Amounts (and the terms of any such option);

(25) with respect to any Securities that provide for optional redemption or prepayment upon the occurrence of certain events (such as a change of control of the Issuer), (i) the possible effects of such provisions on the market price of the Issuer's or the General Partner's securities or in deterring certain mergers, tender offers or other takeover attempts, and the intention of the Issuer to comply with the requirements of Rule 14e-1 under the Exchange Act and any other applicable securities laws in connection with such provisions; (ii) whether the occurrence of the specified events may give rise to cross-defaults on other indebtedness such that payment on such Securities may be effectively subordinated; and (iii) the existence of any limitation on the Issuer's financial or legal ability to repurchase such Securities upon the occurrence of such an event (or, if true, the lack of assurance that such a repurchase can be effected) and the impact, if any, under the Indenture of such a failure, including whether and under what circumstances such a failure may constitute an Event of Default; and

(26) any other terms of the series (which terms shall not be inconsistent with the provisions of this Indenture).

All Securities of any one series and all Coupons, if any, appertaining to Bearer Securities of such series shall be substantially identical except as to Currency of payments due thereunder, denomination and the rate of interest, or method of determining the rate of interest, if any, Maturity, and the date from which interest, if any, shall accrue and except as may otherwise be provided by the Issuer in or pursuant to the Board Resolution and set forth in the Officers' Certificate or in any indenture or indentures supplemental hereto pertaining to such series of Securities. The terms of the Securities of any series may provide, without limitation, that the Securities shall be authenticated and delivered by the Trustee on original issue from time to time upon telephonic or written order of persons designated in the Officers' Certificate or supplemental indenture (telephonic instructions to be promptly confirmed in writing by such person) and that such persons are authorized to determine, consistent with such Officers' Certificate or any applicable supplemental indenture, such terms and conditions of the Securities of such series as are specified in such Officers' Certificate or supplemental indenture. All Securities of any one series need not be issued at the same time and, unless otherwise so provided by the Issuer, a series may be reopened for issuances of additional Securities of such series or to establish additional terms of such series of Securities.

If any of the terms of the Securities of any series shall be established by action taken by or pursuant to a Board Resolution, the Board Resolution shall be delivered to the Trustee at or prior to the delivery of the Officers' Certificate setting forth the terms of such series.

#### Section 302. Currency; Denominations.

Unless otherwise provided in or pursuant to this Indenture, the principal of, any premium and interest on and any Additional Amounts with respect to the Securities shall be payable in Dollars. Unless otherwise provided in or pursuant to this Indenture, Registered Securities denominated in Dollars shall be issuable in registered form without Coupons in denominations of \$1,000 and any integral multiple thereof, and the Bearer Securities denominated in Dollars shall be issuable in the denomination of \$5,000. Securities not denominated in Dollars shall be issuable in such denominations as are established with respect to such Securities in or pursuant to this Indenture.

#### Section 303. Execution, Authentication, Delivery and Dating.

Securities shall be executed on behalf of the Issuer by the General Partner acting in its capacity as sole managing general partner of the Issuer by the General Partner's Chairman of the Board, one of its Vice Chairmen, its President, its Treasurer or one of its Vice Presidents under its corporate seal reproduced thereon and attested by its Secretary or one of its Assistant Secretaries. Coupons shall be executed on behalf of the Issuer by the General Partner acting in its capacity as sole managing general partner of the Issuer by the General Partner's Treasurer or any Assistant Treasurer. The signature of any of these officers on the Securities or any Coupons appertaining thereto may be manual or facsimile.

Securities and any Coupons appertaining thereto bearing the manual or facsimile signatures of individuals who were at any time the proper officers of the Issuer shall bind the Issuer, notwithstanding that such individuals or any of them have ceased to hold such offices prior to the authentication and delivery of such Securities or did not hold such offices at the date of such Securities or Coupons.

At any time and from time to time after the execution and delivery of this Indenture, the Issuer may deliver Securities, together with any Coupons appertaining thereto, executed by the Issuer, to the Trustee for authentication and, provided that the Board Resolution and Officers' Certificate or supplemental indenture or indentures with respect to such Securities referred to in Section 301 and an Issuer Order for the authentication and delivery of such Securities have been delivered to the Trustee, the Trustee in accordance with the Issuer Order and subject to the provisions hereof and of such Securities shall authenticate and deliver such Securities. In authenticating such Securities, and accepting the additional responsibilities under this Indenture in relation to such Securities and any Coupons appertaining thereto, the Trustee shall be entitled to receive, and (subject to Sections 315(a) through 315(d) of the Trust Indenture Act) shall be fully protected in relying upon,

(1) an Opinion of Counsel to the effect that:

(a) the form or forms and terms of such Securities and Coupons, if any, have been established in conformity with the provisions of this Indenture;

(b) all conditions precedent to the authentication and delivery of such Securities and Coupons, if any, appertaining thereto, have been complied with and that such Securities, and Coupons, when completed by appropriate insertions, executed under the Issuer's corporate seal and attested by duly authorized officers of the Issuer, delivered by duly authorized officers of the Issuer to the Trustee for authentication pursuant to this Indenture, and authenticated and delivered by the Trustee and issued by the Issuer in the manner and subject to any conditions specified in such Opinion of Counsel, will constitute legally valid and binding obligations of the Issuer, enforceable against the Issuer in accordance with their terms, except as enforcement thereof may be subject to or limited by bankruptcy, insolvency, reorganization, moratorium, arrangement, fraudulent conveyance, fraudulent transfer or other similar laws relating to or affecting creditors' rights generally, and subject to general principles of equity (regardless of whether enforcement is sought in a proceeding in equity or at law) and will entitle the Holders thereof to the benefits of this Indenture, including the Guarantee; such Opinion of Counsel need express no opinion as to the availability of equitable remedies;

(c) all laws and requirements in respect of the execution and delivery by the Issuer of such Securities and Coupons, if any, have been complied with; and

(d) this Indenture has been qualified under the Trust Indenture Act; and

(2) an Officers' Certificate and a Guarantor's Officers' Certificate, in each case stating that, to the best knowledge of the Persons executing such certificate, no event which is, or after notice or lapse of time would become, an Event of Default with respect to any of the Securities shall have occurred and be continuing.

If all the Securities of any series are not to be issued at one time, it shall not be necessary to deliver an Opinion of Counsel and an Officers' Certificate at the time of issuance of each Security, but such opinion and certificate, with appropriate modifications, shall be delivered at or before the time of issuance of the first Security of such series. After any such first delivery, any separate request by the Issuer that the Trustee authenticate Securities of such series for original issue will be deemed to be a certification by the Issuer that all conditions precedent provided for in this Indenture relating to authentication and delivery of such Securities continue to have been complied with.

The Trustee shall not be required to authenticate or to cause an Authenticating Agent to authenticate any Securities if the issue of such Securities pursuant to this Indenture will affect the Trustee's own rights, duties or immunities under the Securities and this Indenture or otherwise in a manner which is not reasonably acceptable to the Trustee or if the Trustee, being advised by counsel, determines that such action may not lawfully be taken.

Each Registered Security shall be dated the date of its authentication. Each Bearer Security and any Bearer Security in global form shall be dated as of the date specified in or pursuant to this Indenture.

No Security or Coupon appertaining thereto shall be entitled to any benefit under this Indenture or be valid or obligatory for any purpose, unless there appears on such Security a certificate of authentication substantially in the form provided for in Section 202 or 611 executed by or on behalf of the Trustee or by the Authenticating Agent by the manual signature of one of its authorized officers. Such certificate upon any Security shall be conclusive evidence, and the only evidence, that such Security has been duly authenticated and delivered hereunder. Except as permitted by Section 306 or 307, the Trustee shall not authenticate and deliver any Bearer Security unless all Coupons appertaining thereto then matured have been detached and cancelled.

#### Section 304. Temporary Securities.

Pending the preparation of definitive Securities, the Issuer may execute and deliver to the Trustee and, upon Issuer Order, the Trustee shall authenticate and deliver, in the manner provided in Section 303, temporary Securities in lieu thereof which are printed, lithographed, typewritten, mimeographed or otherwise produced, in any authorized denomination, substantially of the tenor of the definitive Securities in lieu of which they are issued, in registered form or, if authorized in or pursuant to this Indenture, in bearer form with one or more Coupons or without Coupons and with such appropriate insertions, omissions, substitutions and other variations as the officers of the Issuer executing such Securities may determine, as conclusively evidenced by their execution of such Securities. Such temporary Securities may be in global form.

Except in the case of temporary Securities in global form, which shall be exchanged in accordance with the provisions thereof, if temporary Securities are issued, the Issuer shall cause definitive Securities to be prepared without unreasonable delay. After the preparation of definitive Securities of the same series and containing terms and provisions that are identical to those of any temporary Securities, such temporary Securities shall be exchangeable for such definitive Securities upon surrender of such temporary Securities at an Office or Agency for such Securities, without charge to any Holder thereof. Upon surrender for cancellation of any one or more temporary Securities (accompanied by any unmatured Coupons appertaining thereto), the Issuer shall execute and the Trustee shall authenticate and deliver in exchange therefor a like principal amount of definitive Securities of authorized denominations of the same series and containing identical terms and provisions; provided, however, that no

definitive Bearer Security, except as provided in or pursuant to this Indenture, shall be delivered in exchange for a temporary Registered Security; and provided, further, that a definitive Bearer Security shall be delivered in exchange for a temporary Bearer Security only in compliance with the conditions set forth in or pursuant to this Indenture. Unless otherwise provided in or pursuant to this Indenture with respect to a temporary global Security, until so exchanged the temporary Securities of any series shall in all respects be entitled to the same benefits under this Indenture as definitive Securities of such series.

#### Section 305. Registration, Transfer and Exchange.

With respect to the Registered Securities of each series, if any, the Issuer shall cause to be kept a register (each such register being herein sometimes referred to as the "Security Register") at an Office or Agency for such series in which, subject to such reasonable regulations as it may prescribe, the Issuer or the Guarantor shall provide for the registration of the Registered Securities of such series and of transfers of the Registered Securities of such series. Such Office or Agency shall be the "Security Registrar" for that series of Securities. Unless otherwise specified in or pursuant to this Indenture or the Securities, the Trustee shall be the initial Security Registrar for each series of Securities. The Issuer shall have the right to remove and replace from time to time the Security Registrar for any series of Securities; provided that no such removal or replacement shall be effective until a successor Security Registrar with respect to such series of Securities shall have been appointed by the Issuer and shall have accepted such appointment by the Issuer. In the event that the Trustee shall not be or shall cease to be Security Registrar with respect to a series of Securities, it shall have the right to examine the Security Register for such series at all reasonable times. There shall be only one Security Register for each series of Securities.

Upon surrender for registration of transfer of any Registered Security of any series at any Office or Agency for such series, the Issuer shall execute, and the Trustee shall authenticate and deliver, in the name of the designated transferee or transferees, one or more new Registered Securities of the same series denominated as authorized in or pursuant to this Indenture, of a like aggregate principal amount bearing a number not contemporaneously outstanding and containing identical terms and provisions.

At the option of the Holder, Registered Securities of any series may be exchanged for other Registered Securities of the same series containing identical terms and provisions, in any authorized denominations, and of a like aggregate principal amount, upon surrender of the Securities to be exchanged at any Office or Agency for such series. Whenever any Registered Securities are so surrendered for exchange, the Issuer shall execute, and the Trustee shall authenticate and deliver, the Registered Securities which the Holder making the exchange is entitled to receive.

If provided in or pursuant to this Indenture, with respect to Securities of any series, at the option of the Holder, Bearer Securities of such series may be exchanged for Registered Securities of such series containing identical terms, denominated as authorized in or pursuant to this Indenture and in the same aggregate principal amount, upon surrender of the Bearer Securities to be exchanged at any Office or Agency for such series, with all unmatured Coupons and all matured Coupons in default thereto appertaining. If the Holder of a Bearer Security is unable to produce any such unmatured Coupon or Coupons or matured Coupon or Coupons in default, such exchange may be effected if the Bearer Securities are accompanied by payment in funds acceptable to the Issuer, the Guarantor (if such Bearer Securities are Guaranteed Securities) and the Trustee in an amount equal to the face amount of such missing Coupon or Coupons, or the surrender of such missing Coupon or Coupons may be waived by the Issuer, the Guarantor (if such Bearer Securities are Guaranteed Securities) and the Trustee if there is furnished to them such security or indemnity as they may require to save each of them and any Paying Agent harmless. If thereafter the Holder of such Bearer Security shall surrender to any Paying Agent any such missing Coupon in respect of which such a payment shall have been made, such Holder shall be entitled to receive the amount of such payment; provided, however, that, except as otherwise provided in Section 1002, interest represented by Coupons shall be payable only upon presentation and surrender of those Coupons at an Office or Agency for such series located outside the United States. Notwithstanding the foregoing, in case a Bearer Security of any series is surrendered at any such Office or Agency for such series in exchange for a Registered Security of such series and like tenor after the close of business at such Office or Agency on (i) any Regular Record Date and before the opening of business at such Office or Agency on the relevant Interest Payment Date, or (ii) any Special Record Date and before the opening of business at such Office or Agency on the related date for payment of Defaulted Interest, such Bearer Security shall be surrendered without the Coupon relating to such Interest Payment Date or proposed date of payment, as the case may be (or, if such Coupon is so surrendered with such Bearer Security, such Coupon shall be returned to the Person so surrendering the Bearer Security), and interest or Defaulted Interest, as the case may be, shall not be payable on such Interest Payment Date or proposed date for payment, as the case may be, in respect of the Registered Security issued in exchange for such Bearer Security, but shall be payable only to the Holder of such Coupon when due in accordance with the provisions of this Indenture.

If provided in or pursuant to this Indenture with respect to Securities of any series, at the option of the Holder, Registered Securities of such series may be exchanged for Bearer Securities upon such terms and conditions as may be provided in or pursuant to this Indenture with respect to such series.

Whenever any Securities are surrendered for exchange as contemplated by the immediately preceding two paragraphs, the Issuer shall execute, and the Trustee shall authenticate and deliver, the Securities which the Holder making the exchange is entitled to receive.

Notwithstanding the foregoing, except as otherwise provided in or

pursuant to this Indenture, any global Security shall be exchangeable for definitive Securities only if (i) the Depository is at any time unwilling, unable or ineligible to continue as Depository and a successor depository is not appointed by the Issuer within 90 days of the date the Issuer is so informed in writing, (ii) the Issuer executes and delivers to the Trustee an Issuer Order to the effect that such global Security shall be so exchangeable, or (iii) an Event of Default has occurred and is continuing with respect to the Securities. If the beneficial owners of interests in a global Security are entitled to exchange such interests for definitive Securities as the result of an event described in clause (i), (ii) or (iii) of the preceding sentence, then without unnecessary delay but in any event not later than the earliest date on which such interests may be so exchanged, the Issuer shall deliver to the Trustee definitive Securities in such form and denominations as are required by or pursuant to this Indenture, and of the same series, containing identical terms and in aggregate principal amount equal to the principal amount of such global Security, executed by the Issuer. On or after the earliest date on which such interests may be so exchanged, such global Security shall be surrendered from time to time by the U.S. Depository or such other Depository as shall be specified in the Issuer Order with respect thereto, and in accordance with instructions given to the Trustee and the U.S. Depository or such other Depository, as the case may be (which instructions shall be in writing but need not be contained in or accompanied by an Officers' Certificate or be accompanied by an Opinion of Counsel), as shall be specified in the Issuer Order with respect thereto to the Trustee, as the Issuer's agent for such purpose, to be exchanged, in whole or in part, for definitive Securities as described above without charge. The Trustee shall authenticate and make available for delivery, in exchange for each portion of such surrendered global Security, a like aggregate principal amount of definitive Securities of the same series of authorized denominations and of like tenor as the portion of such global Security to be exchanged, which (unless such Securities are not issuable both as Bearer Securities and as Registered Securities, in which case the definitive Securities exchanged for the global Security shall be issuable only in the form in which the Securities are issuable, as provided in or pursuant to this Indenture) shall be in the form of Bearer Securities or Registered Securities, or any combination thereof, as shall be specified by the beneficial owner thereof, but subject to the satisfaction of any certification or other requirements to the issuance of Bearer Securities; provided, however, that no such exchanges may occur during a period beginning at the opening of business 15 days before any selection of Securities of the same series to be redeemed and ending on the relevant Redemption Date; and provided, further, that (unless otherwise provided in or pursuant to this Indenture) no Bearer Security delivered in exchange for a portion of a global Security shall be mailed or otherwise delivered to any location in the United States. Promptly following any such exchange in part, such global Security shall be returned by the Trustee to such Depository or the U.S. Depository, as the case may be, or such other Depository or U.S. Depository referred to above in accordance with the instructions of the Issuer referred to above. If a Registered Security is issued in exchange for any portion of a global Security after the close of business at the Office or Agency for such Security where such exchange occurs on or after (i) any Regular Record Date for such Security and before the opening of business at such Office or Agency on the next Interest Payment Date, or (ii) any Special Record Date for such Security and before the opening of business at such Office or Agency on the related proposed date for payment of interest or Defaulted Interest, as the case may be, interest shall not be payable on such Interest Payment Date or proposed date for payment, as the case may be, in respect of such Registered Security, but shall be payable on such Interest Payment Date or proposed date for payment, as the case may be, only to the Person to whom interest in respect of such portion of such global Security shall be payable in accordance with the provisions of this Indenture.

All Securities issued upon any registration of transfer or exchange of Securities shall be the valid obligations of the Issuer and the Guarantor, respectively, evidencing the same debt and entitling the Holders thereof to the same benefits under this Indenture as the Securities surrendered upon such registration of transfer or exchange.

Every Registered Security presented or surrendered for registration of transfer or for exchange or redemption shall (if so required by the Issuer or the Security Registrar for such Security) be duly endorsed, or be accompanied by a written instrument of transfer in form satisfactory to the Issuer and the Security Registrar for such Security duly executed by the Holder thereof or his attorney duly authorized in writing.

No service charge shall be made for any registration of transfer or exchange, or redemption of Securities, but the Issuer may require payment of a sum sufficient to cover any tax or other governmental charge.

Except as otherwise provided in or pursuant to this Indenture, the Issuer shall not be required (i) to issue, register the transfer of or exchange any Securities during a period beginning at the opening of business 15 days before the day of the selection for redemption of Securities of like tenor and the same series under Section 1103 and ending at the close of business on the day of such selection, or (ii) to register the transfer of or exchange any Registered Security so selected for redemption in whole or in part, except in the case of any Security to be redeemed in part, the portion thereof not to be redeemed, or (iii) to exchange any Bearer Security so selected for redemption except, to the extent provided with respect to such Bearer Security, that such Bearer Security may be exchanged for a Registered Security of like tenor and the same series, provided that such Registered Security shall be immediately surrendered for redemption with written instruction for payment consistent with the provisions of this Indenture or (iv) to issue, register the transfer of or exchange any Security which, in accordance with its terms, has been surrendered for repayment at the option of the Holder, except the portion, if any, of such Security not to be so repaid.

#### Section 306. Mutilated, Destroyed, Lost and Stolen Securities.

If any mutilated Security or a Security with a mutilated Coupon appertaining to it is surrendered to the Trustee, subject to the provisions of this Section 306, the Issuer shall execute and the Trustee shall authenticate and deliver in exchange therefor a new Security of the same series containing

identical terms and of like principal amount and bearing a number not contemporaneously outstanding, with Coupons appertaining thereto corresponding to the Coupons, if any, appertaining to the surrendered Security.

If there be delivered to the Issuer, the Guarantor (if the Security is a Guaranteed Security) and to the Trustee (i) evidence to their satisfaction of the destruction, loss or theft of any Security or Coupon, and (ii) such security or indemnity as may be required by them to save each of them and any agent of either of them harmless, then, in the absence of notice to the Issuer, the Guarantor (if the Security is a Guaranteed Security) or the Trustee that such Security or Coupon has been acquired by a bona fide purchaser, the Issuer shall execute and, upon the Issuer's request the Trustee shall authenticate and deliver, in exchange for or in lieu of any such mutilated, destroyed, lost or stolen Security or in exchange for the Security to which a destroyed, lost or stolen Coupon appertains with all appurtenant Coupons not destroyed, lost or stolen, a new Security of the same series containing identical terms and of like principal amount and bearing a number not contemporaneously outstanding, with Coupons corresponding to the Coupons, if any, appertaining to such destroyed, lost or stolen Security or to the Security to which such destroyed, lost or stolen Coupon appertains.

Notwithstanding the foregoing provisions of this Section 306, in case any mutilated, destroyed, lost or stolen Security or Coupon has become or is about to become due and payable, the Issuer in its discretion may, instead of issuing a new Security, pay such Security or Coupon; provided, however, that payment of principal of, any premium or interest on or any Additional Amounts with respect to any Bearer Securities shall, except as otherwise provided in Section 1002, be payable only at an Office or Agency for such Securities located outside the United States and, unless otherwise provided in or pursuant to this Indenture, any interest on Bearer Securities and any Additional Amounts with respect to such interest shall be payable only upon presentation and surrender of the Coupons appertaining thereto.

Upon the issuance of any new Security under this Section, the Issuer may require the payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in relation thereto and any other expenses (including the fees and expenses of the Trustee) connected therewith.

Every new Security, with any Coupons appertaining thereto issued pursuant to this Section in lieu of any destroyed, lost or stolen Security, or in exchange for a Security to which a destroyed, lost or stolen Coupon appertains shall constitute a separate obligation of the Issuer and the Guarantor (if the Security is a Guaranteed Security), whether or not the destroyed, lost or stolen Security and Coupons appertaining thereto or the destroyed, lost or stolen Coupon shall be at any time enforceable by anyone, and shall be entitled to all the benefits of this Indenture equally and proportionately with any and all other Securities of such series and any Coupons, if any, duly issued hereunder.

The provisions of this Section, as amended or supplemented pursuant to this Indenture with respect to particular Securities or generally, shall be exclusive and shall preclude (to the extent lawful) all other rights and remedies with respect to the replacement or payment of mutilated, destroyed, lost or stolen Securities or Coupons.

Section 307. Payment of Interest and Certain Additional Amounts; Rights to Interest and Certain Additional Amounts Preserved.

Unless otherwise provided in or pursuant to this Indenture, any interest on and any Additional Amounts with respect to any Registered Security which shall be payable, and are punctually paid or duly provided for, on any Interest Payment Date shall be paid to the Person in whose name such Security (or one or more Predecessor Securities) is registered as of the close of business on the Regular Record Date for such interest. Unless otherwise provided in or pursuant to this Indenture, in case a Bearer Security is surrendered in exchange for a Registered Security after the close of business at an Office or Agency for such Security on any Regular Record Date therefor and before the opening of business at such Office or Agency on the next succeeding Interest Payment Date therefor, such Bearer Security shall be surrendered without the Coupon relating to such Interest Payment Date and interest shall not be payable on such Interest Payment Date in respect of the Registered Security issued in exchange for such Bearer Security, but shall be payable only to the Holder of such Coupon when due in accordance with the provisions of this Indenture.

Unless otherwise provided in or pursuant to this Indenture, any interest on and any Additional Amounts with respect to any Registered Security which shall be payable, but shall not be punctually paid or duly provided for, on any Interest Payment Date for such Registered Security (herein called "Defaulted Interest") shall forthwith cease to be payable to the Holder thereof on the relevant Regular Record Date by virtue of having been such Holder; and such Defaulted Interest may be paid by the Issuer or the Guarantor (if the Registered Security is a Guaranteed Security), at its election in each case, as provided in Clause (1) or (2) below:

(1) The Issuer or the Guarantor (if the Registered Security is a Guaranteed Security) may elect to make payment of any Defaulted Interest to the Person in whose name such Registered Security (or a Predecessor Security thereof) shall be registered at the close of business on a Special Record Date for the payment of such Defaulted Interest, which shall be fixed in the following manner. The Issuer or the Guarantor (if the Registered Security is a Guaranteed Security) shall notify the Trustee in writing of the amount of Defaulted Interest proposed to be paid on such Registered Security and the date of the proposed payment, and at the same time the Issuer or the Guarantor (if the Registered Security is a Guaranteed Security), as the case may be, shall deposit with the Trustee an amount of money equal to the aggregate amount proposed to be paid in respect of such Defaulted Interest or shall make arrangements satisfactory to the Trustee for such deposit on or prior to the date of the proposed payment, such money when so deposited to be held in trust for the benefit

of the Person entitled to such Defaulted Interest as in this Clause provided. Thereupon, the Trustee shall fix a Special Record Date for the payment of such Defaulted Interest which shall be not more than 15 days and not less than 10 days prior to the date of the proposed payment and not less than 10 days after the receipt by the Trustee of the notice of the proposed payment. The Trustee shall promptly notify the Issuer or the Guarantor, as the case may be, of such Special Record Date and, in the name and at the expense of the Issuer or the Guarantor, as the case may be, shall cause notice of the proposed payment of such Defaulted Interest and the Special Record Date therefor to be mailed, first-class postage prepaid, to the Holder of such Registered Security (or a Predecessor Security thereof) at his address as it appears in the Security Register not less than 10 days prior to such Special Record Date. The Trustee may, in its discretion, in the name and at the expense of the Issuer or the Guarantor, as the case may be, cause a similar notice to be published at least once in an Authorized Newspaper of general circulation in the Borough of Manhattan, The City of New York, but such publication shall not be a condition precedent to the establishment of such Special Record Date. Notice of the proposed payment of such Defaulted Interest and the Special Record Date therefor having been mailed as aforesaid, such Defaulted Interest shall be paid to the Person in whose name such Registered Security (or a Predecessor Security thereof) shall be registered at the close of business on such Special Record Date and shall no longer be payable pursuant to the following clause (2). In case a Bearer Security is surrendered at the Office or Agency for such Security in exchange for a Registered Security after the close of business at such Office or Agency on any Special Record Date and before the opening of business at such Office or Agency on the related proposed date for payment of Defaulted Interest, such Bearer Security shall be surrendered without the Coupon relating to such Defaulted Interest and Defaulted Interest shall not be payable on such proposed date of payment in respect of the Registered Security issued in exchange for such Bearer Security, but shall be payable only to the Holder of such Coupon when due in accordance with the provisions of this Indenture.

(2) The Issuer or the Guarantor (if the Security is a Guaranteed Security) may make payment of any Defaulted Interest in any other lawful manner not inconsistent with the requirements of any securities exchange on which such Security may be listed, and upon such notice as may be required by such exchange, if, after notice given by the Issuer or the Guarantor, as the case may be, to the Trustee of the proposed payment pursuant to this Clause, such payment shall be deemed practicable by the Trustee.

Unless otherwise provided in or pursuant to this Indenture or the Securities of any particular series pursuant to the provisions of this Indenture, at the option of the Issuer, interest on Registered Securities that bear interest may be paid by mailing a check to the address of the Person entitled thereto as such address shall appear in the Security Register or by transfer to an account maintained by the payee with a bank located in the United States.

Subject to the foregoing provisions of this Section and Section 305, each Security delivered under this Indenture upon registration of transfer of or in exchange for or in lieu of any other Security shall carry the rights to interest accrued and unpaid, and to accrue, which were carried by such other Security.

In the case of any Registered Security of any series that is convertible, which Registered Security is converted after any Regular Record Date and on or prior to the next succeeding Interest Payment Date (other than any Registered Security with respect to which the Stated Maturity is prior to such Interest Payment Date), interest with respect to which the Stated Maturity is on such Interest Payment Date shall be payable on such Interest Payment Date notwithstanding such conversion, and such interest (whether or not punctually paid or duly provided for) shall be paid to the Person in whose name that Registered Security (or one or more predecessor Registered Securities) is registered at the close of business on such Regular Record Date. Except as otherwise expressly provided in the immediately preceding sentence, in the case of any Registered Security which is converted, interest with respect to which the Stated Maturity is after the date of conversion of such Registered Security shall not be payable.

#### Section 308. Persons Deemed Owners.

Prior to due presentation of a Registered Security for registration of transfer, the Issuer, the Guarantor (if the Registered Security is a Guaranteed Security), the Trustee and any agent of the Issuer or the Guarantor (if the Registered Security is a Guaranteed Security) or the Trustee may treat the Person in whose name such Registered Security is registered in the Security Register as the owner of such Registered Security for the purpose of receiving payment of principal of, any premium and (subject to Sections 305 and 307) interest on and any Additional Amounts with respect to such Registered Security and for all other purposes whatsoever, whether or not any payment with respect to such Registered Security shall be overdue, and neither the Issuer, nor the Guarantor, the Trustee or any agent of the Issuer, the Guarantor or the Trustee shall be affected by notice to the contrary.

The Issuer, the Guarantor (if the Bearer Security is a Guaranteed Security), the Trustee and any agent of the Issuer, the Guarantor (if the Bearer Security is a Guaranteed Security) or the Trustee may treat the bearer of any Bearer Security or the bearer of any Coupon as the absolute owner of such Security or Coupon for the purpose of receiving payment thereof or on account thereof and for all other purposes whatsoever, whether or not any payment with respect to such Security or Coupon shall be overdue, and neither the Issuer, nor the Guarantor, the Trustee or any agent of the Issuer, the Guarantor or the Trustee shall be affected by notice to the contrary.

No Holder of any beneficial interest in any global Security held on its behalf by a Depository shall have any rights under this Indenture with respect to such global Security, and such Depository may be treated by the Issuer, the Trustee, and any agent of the Issuer, the Guarantor (if the global



Security is a Guaranteed Security) or the Trustee as the owner of such global Security for all purposes whatsoever. None of the Issuer, the Guarantor (if the global Security is a Guaranteed Security), the Trustee, any Paying Agent or the Security Registrar will have any responsibility or liability for any aspect of the records relating to or payments made on account of beneficial ownership interests of a global Security or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

#### Section 309. Cancellation.

All Securities and Coupons surrendered for payment, redemption, registration of transfer, exchange or conversion or for credit against any sinking fund payment shall, if surrendered to any Person other than the Trustee, be delivered to the Trustee, and any such Securities and Coupons, as well as Securities and Coupons surrendered directly to the Trustee for any such purpose, shall be cancelled promptly by the Trustee. The Issuer or the Guarantor (if the Security is a Guaranteed Security) may at any time deliver to the Trustee for cancellation any Securities previously authenticated and delivered hereunder which the Issuer or the Guarantor (if the Security is a Guaranteed Security) may have acquired in any manner whatsoever, and all Securities so delivered shall be cancelled promptly by the Trustee. No Securities shall be authenticated in lieu of or in exchange for any Securities cancelled as provided in this Section, except as expressly permitted by or pursuant to this Indenture. All cancelled Securities and Coupons held by the Trustee shall be destroyed by the Trustee, unless by an Issuer Order or Guarantor Order the Issuer or the Guarantor, as the case may be, directs their return to it.

#### Section 310. Computation of Interest.

Except as otherwise provided in or pursuant to this Indenture or in any Security, interest on the Securities shall be computed on the basis of a 360-day year of twelve 30-day months.

### ARTICLE FOUR

#### Satisfaction and Discharge of Indenture

##### Section 401. Satisfaction and Discharge.

Upon the direction of the Issuer by an Issuer Order or of the Guarantor by a Guarantor Order (if the applicable series of Securities is a series of Guaranteed Securities), this Indenture shall cease to be of further effect with respect to any series of Securities specified in such Issuer Order or Guarantor Order and any Coupons appertaining thereto, and the Trustee, on receipt of an Issuer Order or a Guarantor Order, at the expense of the Issuer and the Guarantor, shall execute proper instruments acknowledging satisfaction and discharge of this Indenture as to such series, when

(1) either

(a) all Securities of such series theretofore authenticated and delivered and all Coupons appertaining thereto (other than (i) Coupons appertaining to Bearer Securities of such series surrendered in exchange for Registered Securities of such series and maturing after such exchange whose surrender is not required or has been waived as provided in Section 305, (ii) Securities and Coupons of such series which have been destroyed, lost or stolen and which have been replaced or paid as provided in Section 306, (iii) Coupons appertaining to Securities of such series called for redemption and maturing after the relevant Redemption Date whose surrender has been waived as provided in Section 1107, and (iv) Securities and Coupons of such series for whose payment money has theretofore been deposited in trust or segregated and held in trust by the Issuer and thereafter repaid to the Issuer or discharged from such trust, as provided in Section 1003) have been delivered to the Trustee for cancellation; or

(b) all Securities of such series and, in the case of (i) or (ii) below, any Coupons appertaining thereto not theretofore delivered to the Trustee for cancellation

(i) have become due and payable, or

(ii) will become due and payable at their Stated Maturity within one year, or

(iii) if redeemable at the option of the Issuer, are to be called for redemption within one year under arrangements satisfactory to the Trustee for the giving of notice of redemption by the Trustee in the name, and at the expense, of the Issuer and the Guarantor (if the Securities of such series are Guaranteed Securities),

and the Issuer or the Guarantor (if the Securities of such series are Guaranteed Securities), in the case of (i), (ii) or (iii) above, has deposited or caused to be deposited with the Trustee as trust funds in trust for such purpose, money in the Currency in which such Securities are payable in an amount sufficient to pay and discharge the entire indebtedness on such Securities and any Coupons appertaining thereto not theretofore delivered to the Trustee for cancellation, including the principal of, any premium and interest on, and any Additional Amounts with respect to such Securities and any Coupons appertaining thereto, to the date of such deposit (in the case of Securities which have become due and payable) or to the Maturity thereof, as the case may be;

(2) the Issuer or the Guarantor (if the Securities of such series are Guaranteed Securities) has paid or caused to be paid all other sums payable hereunder by the Issuer and the Guarantor with respect to the Outstanding Securities of such series and any Coupons appertaining thereto; and

(3) the Issuer has delivered to the Trustee an Officers' Certificate and an Opinion of Counsel and the Guarantor has delivered to the Trustee a

Guarantor's Officers' Certificate (if the Securities of such series are Guaranteed Securities), each stating that all conditions precedent herein provided for relating to the satisfaction and discharge of this Indenture as to such series have been complied with.

In the event there are Securities of two or more series hereunder, the Trustee shall be required to execute an instrument acknowledging satisfaction and discharge of this Indenture only if requested to do so with respect to Securities of such series as to which it is Trustee and if the other conditions thereto are met.

Notwithstanding the satisfaction and discharge of this Indenture with respect to any series of Securities, the obligations of the Issuer and the Guarantor to the Trustee under Section 605 and, if money shall have been deposited with the Trustee pursuant to subclause (b) of clause (1) of this Section, the obligations of the Issuer and the Trustee with respect to the Securities of such series under Sections 305, 306, 403, 1002 and 1003, with respect to the payment of Additional Amounts, if any, with respect to such Securities as contemplated by Section 1004 (but only to the extent that the Additional Amounts payable with respect to such Securities exceed the amount deposited in respect of such Additional Amounts pursuant to Section 401(1)(b)), and with respect to any rights to exchange such Securities into other securities shall survive.

#### Section 402. Defeasance and Covenant Defeasance.

(1) Unless pursuant to Section 301, either or both of (i) defeasance of the Securities of or within a series under clause (2) of this Section 402 shall not be applicable with respect to the Securities of such series or (ii) covenant defeasance of the Securities of or within a series under clause (3) of this Section 402 shall not be applicable with respect to the Securities of such series, then such provisions, together with the other provisions of this Section 402 (with such modifications thereto as may be specified pursuant to Section 301 with respect to any Securities), shall be applicable to such Securities and any Coupons appertaining thereto, and the Issuer may at its option by Board Resolution, at any time, with respect to such Securities and any Coupons appertaining thereto, elect to have Section 402(2) or Section 402(3) be applied to such Outstanding Securities and any Coupons appertaining thereto upon compliance with the conditions set forth below in this Section 402.

(2) Upon the Issuer's exercise of the above option applicable to this Section 402(2) with respect to any Securities of or within a series, each of the Issuer and the Guarantor (if such Securities are Guaranteed Securities) shall be deemed to have been discharged from its obligations with respect to such Outstanding Securities and any Coupons appertaining thereto and under the Guarantee in respect thereof (if applicable), respectively, on the date the conditions set forth in clause (4) of this Section 402 are satisfied (hereinafter, "defeasance"). For this purpose, such defeasance means that the Issuer and the Guarantor (if such Securities are Guaranteed Securities) shall be deemed to have paid and discharged the entire Indebtedness represented by such Outstanding Securities and any Coupons appertaining thereto, and under the Guarantee in respect thereof (if such Securities are Guaranteed Securities), which shall thereafter be deemed to be "Outstanding" only for the purposes of clause (5) of this Section 402 and the other Sections of this Indenture referred to in clauses (i) and (ii) below, and to have satisfied all of its other obligations under such Securities and any Coupons appertaining thereto, and under the Guarantee in respect thereof (if such Securities are Guaranteed Securities), and this Indenture insofar as such Securities and any Coupons appertaining thereto, and the Guarantee in respect thereof (if such Securities are Guaranteed Securities), are concerned (and the Trustee, at the expense of the Issuer and the Guarantor (if such Securities are Guaranteed Securities), shall execute proper instruments acknowledging the same), except for the following which shall survive until otherwise terminated or discharged hereunder: (i) the rights of Holders of such Outstanding Securities and any Coupons appertaining thereto to receive, solely from the trust fund described in clause (4) of this Section 402 and as more fully set forth in such Section, payments in respect of the principal of (and premium, if any) and interest, if any, on, and Additional Amounts, if any, with respect to, such Securities and any Coupons appertaining thereto when such payments are due, and any rights of such Holder to convert or exchange such Securities into Common Stock or other securities, (ii) the obligations of the Issuer, the Guarantor (if the Securities are Guaranteed Securities) and the Trustee with respect to such Securities under Sections 305, 306, 1002 and 1003 and with respect to the payment of Additional Amounts, if any, on such Securities as contemplated by Section 1004 (but only to the extent that the Additional Amounts payable with respect to such Securities exceed the amount deposited in respect of such Additional Amounts pursuant to Section 401(4)(a) below), and with respect to any rights to exchange such Securities into other securities, (iii) the rights, powers, trusts, duties and immunities of the Trustee hereunder and (iv) this Section 402. The Issuer may exercise its option under this Section 402(2) notwithstanding the prior exercise of its option under clause (3) of this Section 402 with respect to such Securities and any Coupons appertaining thereto.

(3) Upon the Issuer's exercise of the above option applicable to this Section 402(3) with respect to any Securities of or within a series, each of the Issuer and the Guarantor (if the Securities are Guaranteed Securities) shall be released from its obligations under Sections 1005, 1006, 1007, 1008, 1011 and 1012 and, to the extent specified pursuant to Section 301, any other covenant applicable to such Securities, with respect to such Outstanding Securities and any Coupons appertaining thereto, and the Guarantee in respect thereof (if the Securities are Guaranteed Securities), on and after the date the conditions set forth in clause (4) of this Section 402 are satisfied (hereinafter, "covenant defeasance"), and such Securities and any Coupons appertaining thereto shall thereafter be deemed to be not "Outstanding" for the purposes of any direction, waiver, consent or declaration or Act of Holders (and the consequences of any thereof) in connection with any such covenant, but shall continue to be deemed "Outstanding" for all other purposes hereunder. For this purpose, such covenant defeasance means that, with respect to such Outstanding Securities and any Coupons appertaining thereto, the Issuer and the Guarantor (if applicable) may omit to comply with, and shall have no liability in respect of, any term,

condition or limitation set forth in any such Section or such other covenant, whether directly or indirectly, by reason of any reference elsewhere herein to any such Section or such other covenant or by reason of reference in any such Section or such other covenant to any other provision herein or in any other document and such omission to comply shall not constitute a default or an Event of Default under Section 501(4) or 501(8) or otherwise, as the case may be, but, except as specified above, the remainder of this Indenture and such Securities and Coupons appertaining thereto and the Guarantee in respect thereof (if the Securities are Guaranteed Securities) shall be unaffected thereby.

(4) The following shall be the conditions to application of clause (2) or (3) of this Section 402 to any Outstanding Securities of or within a series and any Coupons appertaining thereto and the Guarantee (if the Securities are Guaranteed Securities) in respect thereof:

(a) The Issuer or the Guarantor shall irrevocably have deposited or caused to be deposited with the Trustee (or another trustee satisfying the requirements of Section 607 who shall agree to comply with the provisions of this Section 402 applicable to it) as trust funds in trust for the purpose of making the following payments, specifically pledged as security for, and dedicated solely to, the benefit of the Holders of such Securities and any Coupons appertaining thereto, (1) an amount in Dollars or in such Foreign Currency in which such Securities and any Coupons appertaining thereto are then specified as payable at Stated Maturity, or (2) Government Obligations applicable to such Securities and Coupons appertaining thereto (determined on the basis of the Currency in which such Securities and Coupons appertaining thereto are then specified as payable at Stated Maturity) which through the scheduled payment of principal and interest in respect thereof in accordance with their terms will provide, not later than one day before the due date of any payment of principal of (and premium, if any) and interest, if any, on such Securities and any Coupons appertaining thereto, money in an amount, or (3) a combination thereof, in any case, in an amount, sufficient, without consideration of any reinvestment of such principal and interest, in the opinion of a nationally recognized firm of independent public accountants expressed in a written certification thereof delivered to the Trustee, to pay and discharge, and which shall be applied by the Trustee (or other qualifying trustee) to pay and discharge, (y) the principal of (and premium, if any) and interest, if any, on such Outstanding Securities and any Coupons appertaining thereto on the Stated Maturity of such principal or installment of principal or interest and (z) any mandatory sinking fund payments or analogous payments applicable to such Outstanding Securities and any Coupons appertaining thereto on the day on which such payments are due and payable in accordance with the terms of this Indenture and of such Securities and any Coupons appertaining thereto.

(b) Such defeasance or covenant defeasance shall not result in a breach or violation of, or constitute a default under, this Indenture or any other material agreement or instrument to which the Issuer or the Guarantor (if the Securities are Guaranteed Securities) is a party or by which it is bound.

(c) No Event of Default or event which with notice or lapse of time or both would become an Event of Default with respect to such Securities and any Coupons appertaining thereto shall have occurred and be continuing on the date of such deposit and, with respect to defeasance only, at any time during the period ending on the 91st day after the date of such deposit (it being understood that this condition shall not be deemed satisfied until the expiration of such period).

(d) In the case of an election under clause (2) of this Section 402, the Issuer or the Guarantor shall have delivered to the Trustee an Opinion of Counsel stating that (i) the Issuer or the Guarantor (if the Securities are Guaranteed Securities) has received from the Internal Revenue Service a letter ruling, or there has been published by the Internal Revenue Service a Revenue Ruling, or (ii) there has been a change in the applicable Federal income tax law, in either case to the effect that, and based thereon such opinion shall confirm that, the Holders of such Outstanding Securities and any Coupons appertaining thereto will not recognize income, gain or loss for Federal income tax purposes as a result of such defeasance and will be subject to Federal income tax on the same amounts, in the same manner and at the same times as would have been the case if such defeasance had not occurred.

(e) In the case of an election under clause (3) of this Section 402, the Issuer or the Guarantor shall have delivered to the Trustee an Opinion of Counsel to the effect that the Holders of such Outstanding Securities and any Coupons appertaining thereto will not recognize income, gain or loss for Federal income tax purposes as a result of such covenant defeasance and will be subject to Federal income tax on the same amounts, in the same manner and at the same times as would have been the case if such covenant defeasance had not occurred.

(f) The Issuer or the Guarantor (if the Securities are Guaranteed Securities) shall have delivered to the Trustee an Officers' Certificate (if applicable) or a Guarantor's Officers' Certificate and an Opinion of Counsel, each stating that all conditions precedent to the defeasance or covenant defeasance under clause (2) or (3) of this Section 402 (as the case may be) have been complied with.

(g) Notwithstanding any other provisions of this Section 402(4), such defeasance or covenant defeasance shall be effected in compliance with any additional or substitute terms, conditions or limitations which may be imposed on the Issuer or the Guarantor (if the Securities are Guaranteed Securities) in connection therewith pursuant to Section 301.

(5) Subject to the provisions of the last paragraph of Section 1003, all money and Government Obligations (or other property as may be provided pursuant to Section 301) (including the proceeds thereof) deposited with the Trustee (or other qualifying trustee, collectively for purposes of this Section 402(5) and Section 403, the "Trustee") pursuant to clause (4) of Section 402 in

respect of any Outstanding Securities of any series and any Coupons appertaining thereto shall be held in trust and applied by the Trustee, in accordance with the provisions of such Securities and any Coupons appertaining thereto and this Indenture, to the payment, either directly or through any Paying Agent (including the Issuer acting as its own Paying Agent) as the Trustee may determine, to the Holders of such Securities and any Coupons appertaining thereto of all sums due and to become due thereon in respect of principal (and premium, if any) and interest and Additional Amounts, if any, but such money need not be segregated from other funds except to the extent required by law.

Unless otherwise specified in or pursuant to this Indenture or any Security, if, after a deposit referred to in Section 402(4)(a) has been made, (a) the Holder of a Security in respect of which such deposit was made is entitled to, and does, elect pursuant to Section 301 or the terms of such Security to receive payment in a Currency other than that in which the deposit pursuant to Section 402(4)(a) has been made in respect of such Security, or (b) a Conversion Event occurs in respect of the Foreign Currency in which the deposit pursuant to Section 402(4)(a) has been made, the indebtedness represented by such Security and any Coupons appertaining thereto shall be deemed to have been, and will be, fully discharged and satisfied through the payment of the principal of (and premium, if any), and interest, if any, on, and Additional Amounts, if any, with respect to, such Security as the same becomes due out of the proceeds yielded by converting (from time to time as specified below in the case of any such election) the amount or other property deposited in respect of such Security into the Currency in which such Security becomes payable as a result of such election or Conversion Event based on (x) in the case of payments made pursuant to clause (a) above, the applicable market exchange rate for such Currency in effect on the second Business Day prior to each payment date, or (y) with respect to a Conversion Event, the applicable market exchange rate for such Foreign Currency in effect (as nearly as feasible) at the time of the Conversion Event.

The Issuer shall pay and indemnify the Trustee against any tax, fee or other charge, imposed on or assessed against the Government Obligations deposited pursuant to this Section 402 or the principal or interest received in respect thereof other than any such tax, fee or other charge which by law is for the account of the Holders of such Outstanding Securities and any Coupons appertaining thereto.

Anything in this Section 402 to the contrary notwithstanding, the Trustee shall deliver or pay to the Issuer from time to time upon Issuer Request, or the Guarantor, as the case may be, upon the Guarantor Request, any money or Government Obligations (or other property and any proceeds therefrom) held by it as provided in clause (4) of this Section 402 which, in the opinion of a nationally recognized firm of independent public accountants expressed in a written certification thereof delivered to the Trustee, are in excess of the amount thereof which would then be required to be deposited to effect a defeasance or covenant defeasance, as applicable, in accordance with this Section 402.

#### Section 403. Application of Trust Money.

Subject to the provisions of the last paragraph of Section 1003, all money and Government Obligations deposited with the Trustee pursuant to Section 401 or 402 shall be held in trust and applied by it, in accordance with the provisions of the Securities, the Coupons and this Indenture, to the payment, either directly or through any Paying Agent (including the Issuer acting as its own Paying Agent) as the Trustee may determine, to the Persons entitled thereto, of the principal, premium, interest and Additional Amounts for whose payment such money has or Government Obligations have been deposited with or received by the Trustee; but such money and Government Obligations need not be segregated from other funds except to the extent required by law.

### ARTICLE FIVE

#### Remedies

##### Section 501. Events of Default.

"Event of Default", wherever used herein with respect to Securities of any series, means any one of the following events (whatever the reason for such Event of Default and whether it shall be voluntary or involuntary or be effected by operation of law or pursuant to any judgment, decree or order of any court or any order, rule or regulation of any administrative or governmental body), unless such event is specifically deleted or modified in or pursuant to the supplemental indenture, Board Resolution or Officers' Certificate establishing the terms of such Series pursuant to this Indenture:

(1) default in the payment of any interest on or any Additional Amounts payable in respect of any Security of such series when such interest becomes or such Additional Amounts become due and payable, and continuance of such default for a period of 30 days; or

(2) default in the payment of the principal of or any premium on any Security of such series when it becomes due and payable at its Maturity; or

(3) default in the deposit of any sinking fund payment when and as due by the terms of a Security of such series; or

(4) default in the performance, or breach, of any covenant or warranty of the Issuer or the Guarantor (if the Securities of such series are Guaranteed Securities) in this Indenture or the Securities (other than a covenant or warranty a default in the performance or the breach of which is elsewhere in this Section specifically dealt with or which has been expressly included in this Indenture solely for the benefit of a series of Securities other than such series), and continuance of such default or breach for a period of 60 days after there has been given, by registered or certified mail, to the Issuer and the Guarantor (if the Securities of such series are Guaranteed Securities) by the Trustee or to the Issuer, the Guarantor (if the Securities of such series are Guaranteed Securities) and the Trustee by the Holders of at least 25% in

principal amount of the Outstanding Securities of such series, a written notice specifying such default or breach and requiring it to be remedied and stating that such notice is a "Notice of Default" hereunder; or

(5) the entry by a court having competent jurisdiction of:

(a) a decree or order for relief in respect of the Issuer, the Guarantor (if the Securities of such series are Guaranteed Securities) or any "significant subsidiary" of the Issuer or the Guarantor in Article 1, Section 1-02 of Regulation S-X under the Securities Act of 1933, as amended ("Significant Subsidiary") in an involuntary proceeding under any applicable bankruptcy, insolvency, reorganization or other similar law and such decree or order shall remain unstayed and in effect for a period of 60 consecutive days; or

(b) a decree or order adjudging the Issuer, the Guarantor (if the Securities of such series are Guaranteed Securities) or any Significant Subsidiary to be insolvent, or approving a petition seeking reorganization, arrangement, adjustment or composition of the Issuer, the Guarantor (if the Securities of such series are Guaranteed Securities) or any Significant Subsidiary and such decree or order shall remain unstayed and in effect for a period of 60 consecutive days; or

(c) a final and non-appealable order appointing a custodian, receiver, liquidator, assignee, trustee or other similar official of the Issuer, the Guarantor (if the Securities of such series are Guaranteed Securities) or any Significant Subsidiary or of any substantial part of the property of the Issuer, the Guarantor (if the Securities of such series are Guaranteed Securities) or any Significant Subsidiary, as the case may be, or ordering the winding up or liquidation of the affairs of the Issuer, the Guarantor (if the Securities of such series are Guaranteed Securities) or any Significant Subsidiary; or

(6) the commencement by the Issuer, the Guarantor (if the Securities of such series are Guaranteed Securities) or any Significant Subsidiary of a voluntary proceeding under any applicable bankruptcy, insolvency, reorganization or other similar law or of a voluntary proceeding seeking to be adjudicated insolvent or the consent by the Issuer, the Guarantor (if the Securities of such series are Guaranteed Securities) or any Significant Subsidiary to the entry of a decree or order for relief in an involuntary proceeding under any applicable bankruptcy, insolvency, reorganization or other similar law or to the commencement of any insolvency proceedings against it, or the filing by the Issuer, the Guarantor (if the Securities of such series are Guaranteed Securities) or any Significant Subsidiary of a petition or answer or consent seeking reorganization or relief under any applicable law, or the consent by the Issuer, the Guarantor (if the Securities of such series are Guaranteed Securities) or any Significant Subsidiary to the filing of such petition or to the appointment of or taking possession by a custodian, receiver, liquidator, assignee, trustee or similar official of the Issuer, the Guarantor (if the Securities of such series are Guaranteed Securities) or any Significant Subsidiary or any substantial part of the property of the Issuer, the Guarantor (if the Securities of such series are Guaranteed Securities) or any Significant Subsidiary or the making by the Issuer, the Guarantor (if the Securities of such series are Guaranteed Securities) or any Significant Subsidiary of an assignment for the benefit of creditors, or the taking of corporate action by the Issuer, the Guarantor (if the Securities of such series are Guaranteed Securities) or any Significant Subsidiary in furtherance of any such action; or

(7) any other Event of Default provided in or pursuant to this Indenture with respect to Securities of such series.

#### Section 502. Acceleration of Maturity; Rescission and Annulment.

If an Event of Default with respect to Securities of any series at the time Outstanding (other than an Event of Default specified in clause (6) or (7) of Section 501) occurs and is continuing, then the Trustee or the Holders of not less than 25% in principal amount of the Outstanding Securities of such series may declare the principal (or, if any Securities are Original Issue Discount Securities or Indexed Securities, such portion of the principal as may be specified in the terms thereof) of all the Securities of such series, or such lesser amount as may be provided for in the Securities of such series, to be due and payable immediately, by a notice in writing to the Issuer and the Guarantor (if the Securities are Guaranteed Securities) (and to the Trustee if given by the Holders), and upon any such declaration such principal or such lesser amount shall become immediately due and payable.

If an Event of Default specified in clause (6) or (7) of Section 501 occurs, all unpaid principal of and accrued interest on the Outstanding Securities of that series (or such lesser amount as may be provided for in the Securities of such series) shall ipso facto become and be immediately due and payable without any declaration or other act on the part of the Trustee or any Holder of any Security of that series.

At any time after Securities of any series have been accelerated and before a judgment or decree for payment of the money due has been obtained by the Trustee as hereinafter in this Article provided, the Holders of not less than a majority in principal amount of the Outstanding Securities of such series, by written notice to the Issuer, the Guarantor (if the Securities are Guaranteed Securities) and the Trustee, may rescind and annul such declaration and its consequences if

(1) the Issuer or the Guarantor (if the Securities are Guaranteed Securities) has paid or deposited with the Trustee a sum of money sufficient to pay

(a) all overdue installments of any interest on and Additional Amounts with respect to all Securities of such series and any Coupon appertaining thereto,

(b) the principal of and any premium on any Securities of such series

which have become due otherwise than by such declaration of acceleration and interest thereon and any Additional Amounts with respect thereto at the rate or rates borne by or provided for in such Securities,

(c) to the extent that payment of such interest or Additional Amounts is lawful, interest upon overdue installments of any interest and Additional Amounts at the rate or rates borne by or provided for in such Securities, and

(d) all sums paid or advanced by the Trustee hereunder and the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel and all other amounts due the Trustee under Section 606; and

(2) all Events of Default with respect to Securities of such series, other than the non-payment of the principal of, any premium and interest on, and any Additional Amounts with respect to Securities of such series which shall have become due solely by such declaration of acceleration, shall have been cured or waived as provided in Section 513.

No such rescission shall affect any subsequent default or impair any right consequent thereon.

#### Section 503. Collection of Indebtedness and Suits for Enforcement by Trustee.

The Issuer covenants and the Guarantor (if the Securities are Guaranteed Securities) covenants, in each case, that if

(1) default is made in the payment of any installment of interest on or any Additional Amounts with respect to any Security or any Coupon appertaining thereto when such interest or Additional Amounts shall have become due and payable and such default continues for a period of 30 days, or

(2) default is made in the payment of the principal of or any premium on any Security at its Maturity,

the Issuer or the Guarantor (if the Securities are Guaranteed Securities), as the case may be shall, upon demand of the Trustee, pay to the Trustee, for the benefit of the Holders of such Securities and any Coupons appertaining thereto, the whole amount of money then due and payable with respect to such Securities and any Coupons appertaining thereto, with interest upon the overdue principal, any premium and, to the extent that payment of such interest shall be legally enforceable, upon any overdue installments of interest and Additional Amounts at the rate or rates borne by or provided for in such Securities, and, in addition thereto, such further amount of money as shall be sufficient to cover the costs and expenses of collection, including the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel and all other amounts due to the Trustee under Section 606.

If the Issuer or the Guarantor (if the Securities are Guaranteed Securities) fails to pay the money it is required to pay the Trustee pursuant to the preceding paragraph forthwith upon the demand of the Trustee, the Trustee, in its own name and as trustee of an express trust, may institute a judicial proceeding for the collection of the money so due and unpaid, and may prosecute such proceeding to judgment or final decree, and may enforce the same against the Issuer or the Guarantor (if the Securities are Guaranteed Securities) or any other obligor upon such Securities and any Coupons appertaining thereto and collect the monies adjudged or decreed to be payable in the manner provided by law out of the property of the Issuer or the Guarantor (if the Securities are Guaranteed Securities) or any other obligor upon such Securities and any Coupons appertaining thereto, wherever situated.

If an Event of Default with respect to Securities of any series occurs and is continuing, the Trustee may in its discretion proceed to protect and enforce its rights and the rights of the Holders of Securities of such series and any Coupons appertaining thereto by such appropriate judicial proceedings as the Trustee shall deem most effectual to protect and enforce any such rights, whether for the specific enforcement of any covenant or agreement in this Indenture or such Securities or in aid of the exercise of any power granted herein or therein, or to enforce any other proper remedy.

#### Section 504. Trustee May File Proofs of Claim.

In case of the pendency of any receivership, insolvency, liquidation, bankruptcy, reorganization, arrangement, adjustment, composition or other judicial proceeding relative to the Issuer, the Guarantor (if the Securities are Guaranteed Securities) or any other obligor upon the Securities or the property of the Issuer, the Guarantor (if the Securities are Guaranteed Securities) or such other obligor or their creditors, the Trustee (irrespective of whether the principal of the Securities shall then be due and payable as therein expressed or by declaration or otherwise and irrespective of whether the Trustee shall have made any demand on the Issuer or the Guarantor (if the Securities are Guaranteed Securities) for the payment of any overdue principal, premium, interest or Additional Amounts) shall be entitled and empowered, by intervention in such proceeding or otherwise,

(1) to file and prove a claim for the whole amount, or such lesser amount as may be provided for in the Securities of such series, of the principal and any premium, interest and Additional Amounts owing and unpaid in respect of the Securities and any Coupons appertaining thereto and to file such other papers or documents as may be necessary or advisable in order to have the claims of the Trustee (including any claim for the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents or counsel) and of the Holders of Securities or any Coupons allowed in such judicial proceeding, and

(2) to collect and receive any monies or other property payable or deliverable on any such claims and to distribute the same;

and any custodian, receiver, assignee, trustee, liquidator, sequestrator or other similar official in any such judicial proceeding is hereby authorized by each Holder of Securities or any Coupons to make such payments to the Trustee and, in the event that the Trustee shall consent to the making of such payments directly to the Holders of Securities or any Coupons, to pay to the Trustee any amount due to it for the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel and any other amounts due the Trustee under Section 606.

Nothing herein contained shall be deemed to authorize the Trustee to authorize or consent to or accept or adopt on behalf of any Holder of a Security or any Coupon any plan of reorganization, arrangement, adjustment or composition affecting the Securities or Coupons or the rights of any Holder thereof, or to authorize the Trustee to vote in respect of the claim of any Holder of a Security or any Coupon in any such proceeding.

Section 505. Trustee May Enforce Claims without Possession of Securities or Coupons.

All rights of action and claims under this Indenture or any of the Securities or Coupons may be prosecuted and enforced by the Trustee without the possession of any of the Securities or Coupons or the production thereof in any proceeding relating thereto, and any such proceeding instituted by the Trustee shall be brought in its own name as trustee of an express trust, and any recovery or judgment, after provision for the payment of the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel, shall be for the ratable benefit of each and every Holder of a Security or Coupon in respect of which such judgment has been recovered.

Section 506. Application of Money Collected.

Any money collected by the Trustee pursuant to this Article shall be applied in the following order, at the date or dates fixed by the Trustee and, in case of the distribution of such money on account of principal, or any premium, interest or Additional Amounts, upon presentation of the Securities or Coupons, or both, as the case may be, and the notation thereon of the payment if only partially paid and upon surrender thereof if fully paid:

FIRST: To the payment of all amounts due the Trustee and any predecessor Trustee under Section 606;

SECOND: To the payment of the amounts then due and unpaid upon the Securities and any Coupons for principal and any premium, interest and Additional Amounts in respect of which or for the benefit of which such money has been collected, ratably, without preference or priority of any kind, according to the aggregate amounts due and payable on such Securities and Coupons for principal and any premium, interest and Additional Amounts, respectively;

THIRD: The balance, if any, to the Person or Persons entitled thereto.

Section 507. Limitations on Suits.

No Holder of any Security of any series or any Coupons appertaining thereto shall have any right to institute any proceeding, judicial or otherwise, with respect to this Indenture, or for the appointment of a receiver or trustee, or for any other remedy hereunder, unless

(1) such Holder has previously given written notice to the Trustee of a continuing Event of Default with respect to the Securities of such series;

(2) the Holders of not less than 25% in principal amount of the Outstanding Securities of such series shall have made written request to the Trustee to institute proceedings in respect of such Event of Default in its own name as Trustee hereunder;

(3) such Holder or Holders have offered to the Trustee reasonable indemnity against the costs, expenses and liabilities to be incurred in compliance with such request;

(4) the Trustee for 60 days after its receipt of such notice, request and offer of indemnity has failed to institute any such proceeding; and

(5) no direction inconsistent with such written request has been given to the Trustee during such 60-day period by the Holders of a majority in principal amount of the Outstanding Securities of such series;

it being understood and intended that no one or more of such Holders shall have any right in any manner whatever by virtue of, or by availing of, any provision of this Indenture or any Security to affect, disturb or prejudice the rights of any other such Holders or Holders of Securities of any other series, or to obtain or to seek to obtain priority or preference over any other Holders or to enforce any right under this Indenture, except in the manner herein provided and for the equal and ratable benefit of all such Holders.

Section 508. Unconditional Right of Holders to Receive Principal and any Premium, Interest and Additional Amounts.

Notwithstanding any other provision in this Indenture, the Holder of any Security or Coupon shall have the right, which is absolute and unconditional, to receive payment of the principal of, any premium and (subject to Sections 305 and 307) interest on, and any Additional Amounts with respect to such Security or payment of such Coupon, as the case may be, on the respective Stated Maturity or Maturities therefor specified in such Security or Coupon (or, in the case of redemption, on the Redemption Date or, in the case of repayment at the option of such Holder if provided in or pursuant to this Indenture, on the date such repayment is due) and to institute suit for the enforcement of any such payment, and such right shall not be impaired without the consent of such Holder.

Section 509. Restoration of Rights and Remedies.

If the Trustee or any Holder of a Security or a Coupon has instituted any proceeding to enforce any right or remedy under this Indenture and such proceeding has been discontinued or abandoned for any reason, or has been determined adversely to the Trustee or to such Holder, then and in every such case the Issuer, the Guarantor (if the Security is a Guaranteed Security), the Trustee and each such Holder shall, subject to any determination in such proceeding, be restored severally and respectively to their former positions hereunder, and thereafter all rights and remedies of the Trustee and each such Holder shall continue as though no such proceeding had been instituted.

Section 510. Rights and Remedies Cumulative.

Except as otherwise provided with respect to the replacement or payment of mutilated, destroyed, lost or stolen Securities or Coupons in the last paragraph of Section 306, no right or remedy herein conferred upon or reserved to the Trustee or to each and every Holder of a Security or a Coupon is intended to be exclusive of any other right or remedy, and every right and remedy, to the extent permitted by law, shall be cumulative and in addition to every other right and remedy given hereunder or now or hereafter existing at law or in equity or otherwise. The assertion or employment of any right or remedy hereunder, or otherwise, shall not, to the extent permitted by law, prevent the concurrent assertion or employment of any other appropriate right or remedy.

Section 511. Delay or Omission Not Waiver.

No delay or omission of the Trustee or of any Holder of any Security or Coupon to exercise any right or remedy accruing upon any Event of Default shall impair any such right or remedy or constitute a waiver of any such Event of Default or an acquiescence therein. Every right and remedy given by this Article or by law to the Trustee or to any Holder of a Security or a Coupon may be exercised from time to time, and as often as may be deemed expedient, by the Trustee or by such Holder, as the case may be.

Section 512. Control by Holders of Securities.

The Holders of a majority in principal amount of the Outstanding Securities of any series shall have the right to direct the time, method and place of conducting any proceeding for any remedy available to the Trustee or exercising any trust or power conferred on the Trustee with respect to the Securities of such series and any Coupons appertaining thereto, provided that

- (1) such direction shall not be in conflict with any rule of law or with this Indenture or with the Securities of any series,
- (2) the Trustee may take any other action deemed proper by the Trustee which is not inconsistent with such direction, and
- (3) such direction is not unduly prejudicial to the rights of the other Holders of Securities of such series not joining in such action.

Section 513. Waiver of Past Defaults.

The Holders of not less than a majority in principal amount of the Outstanding Securities of any series on behalf of the Holders of all the Securities of such series and any Coupons appertaining thereto may waive any past default hereunder with respect to such series and its consequences, except a default

- (1) in the payment of the principal of, any premium or interest on, or any Additional Amounts with respect to, any Security of such series or any Coupons appertaining thereto, or
- (2) in respect of a covenant or provision hereof which under Article Nine cannot be modified or amended without the consent of the Holder of each Outstanding Security of such series affected.

Upon any such waiver, such default shall cease to exist, and any Event of Default arising therefrom shall be deemed to have been cured, for every purpose of this Indenture; but no such waiver shall extend to any subsequent or other default or impair any right consequent thereon.

Section 514. Waiver of Stay or Extension Laws.

The Issuer covenants and the Guarantor covenants, in each case, that (to the extent that it may lawfully do so) it will not at any time insist upon, or plead, or in any manner whatsoever claim or take the benefit or advantage of, any stay or extension law wherever enacted, now or at any time hereafter in force, which may affect the covenants or the performance of this Indenture; and the Issuer and the Guarantor each expressly waives (to the extent that it may lawfully do so) all benefit or advantage of any such law and covenants that it will not hinder, delay or impede the execution of any power herein granted to the Trustee, but will suffer and permit the execution of every such power as though no such law had been enacted.

Section 515. Undertaking for Costs

All parties to this Indenture agree, and each Holder of any Security by his acceptance thereof shall be deemed to have agreed, that any court may in its discretion require, in any suit for the enforcement of any right or remedy under this Indenture, or in any suit against the Trustee for any action taken or omitted by it as Trustee, the filing by any party litigant in such suit of any undertaking to pay the costs of such suit, and that such court may in its discretion assess reasonable costs, including reasonable attorneys' fees, against any party litigant in such suit having due regard to the merits and good faith of the claims or defenses made by such party litigant; but the provisions of this Section 515 shall not apply to any suit instituted by the Trustee, to any suit instituted by any Holder, or group of Holders, holding in the aggregate



more than 10% in principal amount of Outstanding Securities of any series, or to any suit instituted by any Holder for the enforcement of the payment of the principal of (or premium, if any) or interest, if any, on or Additional Amounts, if any, with respect to any Security on or after the respective Stated Maturities expressed in such Security (or, in the case of redemption, on or after the Redemption Date, and, in the case of repayment, on or after the date for repayment) or for the enforcement of the right, if any, to convert or exchange any Security into Common Stock or other securities in accordance with its terms.

## ARTICLE SIX

### The Trustee

#### Section 601. Certain Rights of Trustee.

Subject to Sections 315(a) through 315(d) of the Trust Indenture Act:

(1) the Trustee may rely and shall be protected in acting or refraining from acting upon any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, bond, debenture, note, coupon or other paper or document reasonably believed by it to be genuine and to have been signed or presented by the proper party or parties;

(2) any request or direction of the Issuer mentioned herein shall be sufficiently evidenced by an Issuer Request or an Issuer Order or of the Guarantor mentioned herein shall be sufficiently evidenced by a Guarantor Request or Guarantor Order (in each case, other than delivery of any Security, together with any Coupons appertaining thereto, to the Trustee for authentication and delivery pursuant to Section 303 which shall be sufficiently evidenced as provided therein) and any resolution of the Board of Directors may be sufficiently evidenced by a Board Resolution or by the Guarantor's Board of Directors may be sufficiently evidenced by a Guarantor's Board Resolution;

(3) whenever in the administration of this Indenture the Trustee shall deem it desirable that a matter be proved or established prior to taking, suffering or omitting any action hereunder, the Trustee (unless other evidence shall be herein specifically prescribed) may, in the absence of bad faith on its part, rely upon an Officers' Certificate or, if such matter pertains to the Guarantor, a Guarantor's Officers' Certificate;

(4) the Trustee may consult with counsel and the written advice of such counsel or any Opinion of Counsel shall be full and complete authorization and protection in respect of any action taken, suffered or omitted by it hereunder in good faith and in reliance thereon;

(5) the Trustee shall be under no obligation to exercise any of the rights or powers vested in it by or pursuant to this Indenture at the request or direction of any of the Holders of Securities of any series or any Coupons appertaining thereto pursuant to this Indenture, unless such Holders shall have offered to the Trustee reasonable security or indemnity against the costs, expenses and liabilities which might be incurred by it in compliance with such request or direction;

(6) the Trustee shall not be bound to make any investigation into the facts or matters stated in any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, bond, debenture, coupon or other paper or document, but the Trustee, in its discretion, may make such further inquiry or investigation into such facts or matters as it may see fit, and, if the Trustee shall determine to make such further inquiry or investigation, it shall be entitled to examine, during business hours and upon reasonable notice, the books, records and premises of the Issuer and the Guarantor, personally or by agent or attorney;

(7) the Trustee may execute any of the trusts or powers hereunder or perform any duties hereunder either directly or by or through agents or attorneys and the Trustee shall not be responsible for any misconduct or negligence on the part of any agent or attorney appointed with due care by it hereunder; and

(8) subject to the provisions of Section 602 hereof and Sections 315(a) through 315(d) of the Trust Indenture Act, the Trustee shall not be charged with knowledge of any Event of Default described in Section 501(4), (5), (6) or (7) hereof unless a Responsible Officer of the Trustee shall have actual knowledge of such Event of Default.

#### Section 602. Notice of Defaults.

Within 90 days after the occurrence of any default hereunder with respect to the Securities of any series, the Trustee shall transmit by mail to all Holders of Securities of such series entitled to receive reports pursuant to Section 703(3), notice of such default hereunder known to the Trustee, unless such default shall have been cured or waived; provided, however, that, except in the case of a default in the payment of the principal of (or premium, if any), or interest, if any, on, or Additional Amounts or any sinking fund or purchase fund installment with respect to, any Security of such series, the Trustee shall be protected in withholding such notice if and so long as the board of directors, the executive committee or a trust committee of directors and/or Responsible Officers of the Trustee in good faith determines that the withholding of such notice is in the best interest of the Holders of Securities and Coupons of such series; and provided, further, that in the case of any default of the character specified in Section 501(8) with respect to Securities of such series, no such notice to Holders shall be given until at least 30 days after the occurrence thereof. For the purpose of this Section, the term "default" means any event which is, or after notice or lapse of time or both would become, an Event of Default with respect to Securities of such series.

Section 603. Not Responsible for Recitals or Issuance of Securities.

The recitals contained herein and in the Securities, except the Trustee's certificate of authentication, and in any Coupons shall be taken as the statements of the Issuer or the Guarantor (if the Securities are Guaranteed Securities), as the case may be, and neither the Trustee nor any Authenticating Agent assumes any responsibility for their correctness. The Trustee makes no representations as to the validity or sufficiency of this Indenture or of the Securities or the Coupons, except that the Trustee represents that it is duly authorized to execute and deliver this Indenture, authenticate the Securities and perform its obligations hereunder and that the statements made by it in a Statement of Eligibility and Qualification on Form T-1 supplied to the Issuer are true and accurate, subject to the qualifications set forth therein. Neither the Trustee nor any Authenticating Agent shall be accountable for the use or application by the Issuer of the Securities or the proceeds thereof.

Section 604. May Hold Securities.

The Trustee, any Authenticating Agent, any Paying Agent, any Security Registrar or any other Person that may be an agent of the Trustee or the Guarantor or the Issuer, in its individual or any other capacity, may become the owner or pledgee of Securities or Coupons and, subject to Sections 310(b) and 311 of the Trust Indenture Act, may otherwise deal with the Issuer or the Guarantor with the same rights it would have if it were not Trustee, Authenticating Agent, Paying Agent, Security Registrar or such other Person.

Section 605. Money Held in Trust.

Except as provided in Section 403 and Section 1003, money held by the Trustee in trust hereunder need not be segregated from other funds except to the extent required by law and shall be held uninvested. The Trustee shall be under no liability for interest on any money received by it hereunder except as otherwise agreed in writing with the Issuer or the Guarantor.

Section 606. Compensation and Reimbursement.

The Issuer and the Guarantor jointly and severally agree:

(1) to pay to the Trustee from time to time reasonable compensation for all services rendered by the Trustee hereunder (which compensation shall not be limited by any provision of law in regard to the compensation of a trustee of an express trust);

(2) except as otherwise expressly provided herein, to reimburse the Trustee upon its request for all reasonable expenses, disbursements and advances incurred or made by the Trustee in accordance with any provision of this Indenture (including the reasonable compensation and the expenses and disbursements of its agents and counsel), except any such expense, disbursement or advance as may be attributable to the Trustee's negligence or bad faith; and

(3) to indemnify the Trustee and its agents for, and to hold them harmless against, any loss, liability or expense incurred without negligence or bad faith on their part, arising out of or in connection with the acceptance or administration of the trust or trusts hereunder, including the costs and expenses of defending themselves against any claim or liability in connection with the exercise or performance of any of their powers or duties hereunder, except to the extent that any such loss, liability or expense was due to the Trustee's negligence or bad faith.

As security for the performance of the obligations of the Issuer and the Guarantor under this Section, the Trustee shall have a lien prior to the Securities of any series upon all property and funds held or collected by the Trustee as such, except funds held in trust for the payment of principal of, and premium or interest on or any Additional Amounts with respect to Securities or any Coupons appertaining thereto.

Any compensation or expense incurred by the Trustee after a default specified by Section 501 is intended to constitute an expense of administration under any then applicable bankruptcy or insolvency law. "Trustee" for purposes of this Section 606 shall include any predecessor Trustee but the negligence or bad faith of any Trustee shall not affect the rights of any other Trustee under this Section 606.

Section 607. Corporate Trustee Required; Eligibility.

There shall at all times be a Trustee hereunder that is a Corporation, organized and doing business under the laws of the United States of America, any state thereof or the District of Columbia, eligible under Section 310(a)(1) of the Trust Indenture Act to act as trustee under an indenture qualified under the Trust Indenture Act and that has a combined capital and surplus (computed in accordance with Section 310(a)(2) of the Trust Indenture Act) of at least \$50,000,000 subject to supervision or examination by Federal or state authority. If at any time the Trustee shall cease to be eligible in accordance with the provisions of this Section, it shall resign immediately in the manner and with the effect hereinafter specified in this Article.

Section 608. Resignation and Removal; Appointment of Successor.

(1) No resignation or removal of the Trustee and no appointment of a successor Trustee pursuant to this Article shall become effective until the acceptance of appointment by the successor Trustee pursuant to Section 609.

(2) The Trustee may resign at any time with respect to the Securities of one or more series by giving written notice thereof to the Issuer and the Guarantor (if the Securities are Guaranteed Securities). If the instrument of acceptance by a successor Trustee required by Section 609 shall not have been delivered to the Trustee within 30 days after the giving of such notice of resignation, the resigning Trustee may petition any court of competent jurisdiction for the appointment of a successor Trustee with respect to such

series.

(3) The Trustee may be removed at any time with respect to the Securities of any series by Act of the Holders of a majority in principal amount of the Outstanding Securities of such series, delivered to the Trustee and the Issuer and the Guarantor (if the Securities are Guaranteed Securities).

(4) If at any time:

(a) the Trustee shall fail to comply with the obligations imposed upon it under Section 310(b) of the Trust Indenture Act with respect to Securities of any series after written request therefor by the Issuer, the Guarantor (if the Securities are Guaranteed Securities) or any Holder of a Security of such series who has been a bona fide Holder of a Security of such series for at least six months, or

(b) the Trustee shall cease to be eligible under Section 607 and shall fail to resign after written request therefor by the Issuer, the Guarantor (if the Securities are Guaranteed Securities) or any such Holder, or

(c) the Trustee shall become incapable of acting or shall be adjudged a bankrupt or insolvent or a receiver of the Trustee or of its property shall be appointed or any public officer shall take charge or control of the Trustee or of its property or affairs for the purpose of rehabilitation, conservation or liquidation,

then, in any such case, (i) the Issuer, by or pursuant to a Board Resolution, or the Guarantor (if the Securities are Guaranteed Securities), by or pursuant to a Guarantor's Board Resolution, may remove the Trustee with respect to all Securities or the Securities of such series, or (ii) subject to Section 315(e) of the Trust Indenture Act, any Holder of a Security who has been a bona fide Holder of a Security of such series for at least six months may, on behalf of himself and all others similarly situated, petition any court of competent jurisdiction for the removal of the Trustee with respect to all Securities of such series and the appointment of a successor Trustee or Trustees.

(1) If the Trustee shall resign, be removed or become incapable of acting, or if a vacancy shall occur in the office of Trustee for any cause, with respect to the Securities of one or more series, the Issuer, by or pursuant to a Board Resolution, and the Guarantor (if the Securities are Guaranteed Securities), by or pursuant to a Guarantor's Board Resolution, shall promptly appoint a successor Trustee or Trustees with respect to the Securities of that or those series (it being understood that any such successor Trustee may be appointed with respect to the Securities of one or more or all of such series and that at any time there shall be only one Trustee with respect to the Securities of any particular series) and shall comply with the applicable requirements of Section 609. If, within one year after such resignation, removal or incapability, or the occurrence of such vacancy, a successor Trustee with respect to the Securities of any series shall be appointed by Act of the Holders of a majority in principal amount of the Outstanding Securities of such series delivered to the Issuer, the Guarantor (if the Securities are Guaranteed Securities) and the retiring Trustee, the successor Trustee so appointed shall, forthwith upon its acceptance of such appointment in accordance with the applicable requirements of Section 609, become the successor Trustee with respect to the Securities of such series and to that extent supersede the successor Trustee appointed by the Issuer and the Guarantor (if the Securities are Guaranteed Securities). If no successor Trustee with respect to the Securities of any series shall have been so appointed by the Issuer and the Guarantor (if the Securities are Guaranteed Securities) or the Holders of Securities and accepted appointment in the manner required by Section 609, any Holder of a Security who has been a bona fide Holder of a Security of such series for at least six months may, on behalf of himself and all others similarly situated, petition any court of competent jurisdiction for the appointment of a successor Trustee with respect to the Securities of such series.

(2) The Issuer shall give notice of each resignation and each removal of the Trustee with respect to the Securities of any series and each appointment of a successor Trustee with respect to the Securities of any series by mailing written notice of such event by first-class mail, postage prepaid, to the Holders of Registered Securities, if any, of such series as their names and addresses appear in the Security Register and, if Securities of such series are issued as Bearer Securities, by publishing notice of such event once in an Authorized Newspaper in each Place of Payment located outside the United States. Each notice shall include the name of the successor Trustee with respect to the Securities of such series and the address of its Corporate Trust Office.

#### Section 609. Acceptance of Appointment by Successor.

(1) Upon the appointment hereunder of any successor Trustee with respect to all Securities, such successor Trustee so appointed shall execute, acknowledge and deliver to the Issuer, the Guarantor and the retiring Trustee an instrument accepting such appointment, and thereupon the resignation or removal of the retiring Trustee shall become effective and such successor Trustee, without any further act, deed or conveyance, shall become vested with all the rights, powers, trusts and duties hereunder of the retiring Trustee; but, on the request of the Issuer, the Guarantor or such successor Trustee, such retiring Trustee, upon payment of its charges, shall execute and deliver an instrument transferring to such successor Trustee all the rights, powers and trusts of the retiring Trustee and, subject to Section 1003, shall duly assign, transfer and deliver to such successor Trustee all property and money held by such retiring Trustee hereunder, subject nevertheless to its claim, if any, provided for in Section 606.

(2) Upon the appointment hereunder of any successor Trustee with respect to the Securities of one or more (but not all) series, the Issuer, the Guarantor (if any of such series of Securities is a series of Guaranteed Securities), the retiring Trustee and such successor Trustee shall execute and deliver an indenture supplemental hereto wherein each successor Trustee shall accept such appointment and which (1) shall contain such provisions as shall be

necessary or desirable to transfer and confirm to, and to vest in, such successor Trustee all the rights, powers, trusts and duties of the retiring Trustee with respect to the Securities of that or those series to which the appointment of such successor Trustee relates, (2) if the retiring Trustee is not retiring with respect to all Securities, shall contain such provisions as shall be deemed necessary or desirable to confirm that all the rights, powers, trusts and duties of the retiring Trustee with respect to the Securities of that or those series as to which the retiring Trustee is not retiring shall continue to be vested in the retiring Trustee, and (3) shall add to or change any of the provisions of this Indenture as shall be necessary to provide for or facilitate the administration of the trusts hereunder by more than one Trustee, it being understood that nothing herein or in such supplemental indenture shall constitute such Trustees co-trustees of the same trust, that each such Trustee shall be trustee of a trust or trusts hereunder separate and apart from any trust or trusts hereunder administered by any other such Trustee and that no Trustee shall be responsible for any notice given to, or received by, or any act or failure to act on the part of any other Trustee hereunder, and, upon the execution and delivery of such supplemental indenture, the resignation or removal of the retiring Trustee shall become effective to the extent provided therein, such retiring Trustee shall have no further responsibility for the exercise of rights and powers or for the performance of the duties and obligations vested in the Trustee under this Indenture with respect to the Securities of that or those series to which the appointment of such successor Trustee relates other than as hereinafter expressly set forth, and such successor Trustee, without any further act, deed or conveyance, shall become vested with all the rights, powers, trusts and duties of the retiring Trustee with respect to the Securities of that or those series to which the appointment of such successor Trustee relates; but, on request of the Issuer, the Guarantor, if applicable, or such successor Trustee, such retiring Trustee, upon payment of its charges with respect to the Securities of that or those series to which the appointment of such successor relates and subject to Section 1003 shall duly assign, transfer and deliver to such successor Trustee, to the extent contemplated by such supplemental indenture, the property and money held by such retiring Trustee hereunder with respect to the Securities of that or those series to which the appointment of such successor Trustee relates, subject to its claim, if any, provided for in Section 606.

(3) Upon request of any Person appointed hereunder as a successor Trustee, the Issuer and the Guarantor shall execute any and all instruments for more fully and certainly vesting in and confirming to such successor Trustee all such rights, powers and trusts referred to in paragraph (1) or (2) of this Section, as the case may be.

(4) No Person shall accept its appointment hereunder as a successor Trustee unless at the time of such acceptance such successor Person shall be qualified and eligible under this Article.

#### Section 610. Merger, Conversion, Consolidation or Succession to Business.

Any Corporation into which the Trustee may be merged or converted or with which it may be consolidated, or any Corporation resulting from any merger, conversion or consolidation to which the Trustee shall be a party, or any Corporation succeeding to all or substantially all of the corporate trust business of the Trustee, shall be the successor of the Trustee hereunder, without the execution or filing of any paper or any further act on the part of any of the parties hereto. In case any Securities shall have been authenticated but not delivered by the Trustee then in office, any successor by merger, conversion or consolidation to such authenticating Trustee may adopt such authentication and deliver the Securities so authenticated with the same effect as if such successor Trustee had itself authenticated such Securities.

#### Section 611. Appointment of Authenticating Agent.

The Trustee may appoint one or more Authenticating Agents acceptable to the Issuer with respect to one or more series of Securities which shall be authorized to act on behalf of the Trustee to authenticate Securities of that or those series issued upon original issue, exchange, registration of transfer, partial redemption or partial repayment or pursuant to Section 306, and Securities so authenticated shall be entitled to the benefits of this Indenture and shall be valid and obligatory for all purposes as if authenticated by the Trustee hereunder. Wherever reference is made in this Indenture to the authentication and delivery of Securities by the Trustee or the Trustee's certificate of authentication, such reference shall be deemed to include authentication and delivery on behalf of the Trustee by an Authenticating Agent and a certificate of authentication executed on behalf of the Trustee by an Authenticating Agent.

Each Authenticating Agent shall be acceptable to the Issuer and the Guarantor and, except as provided in or pursuant to this Indenture, shall at all times be a corporation that would be permitted by the Trust Indenture Act to act as trustee under an indenture qualified under the Trust Indenture Act, is authorized under applicable law and by its charter to act as an Authenticating Agent and has a combined capital and surplus (computed in accordance with Section 310(a)(2) of the Trust Indenture Act) of at least \$50,000,000. If at any time an Authenticating Agent shall cease to be eligible in accordance with the provisions of this Section, it shall resign immediately in the manner and with the effect specified in this Section.

Any Corporation into which an Authenticating Agent may be merged or converted or with which it may be consolidated, or any Corporation resulting from any merger, conversion or consolidation to which such Authenticating Agent shall be a party, or any Corporation succeeding to all or substantially all of the corporate agency or corporate trust business of an Authenticating Agent, shall be the successor of such Authenticating Agent hereunder, provided such Corporation shall be otherwise eligible under this Section, without the execution or filing of any paper or any further act on the part of the Trustee or the Authenticating Agent.

An Authenticating Agent may resign at any time by giving written

notice thereof to the Trustee, the Guarantor and the Issuer. The Trustee may at any time terminate the agency of an Authenticating Agent by giving written notice thereof to such Authenticating Agent, the Guarantor and the Issuer. Upon receiving such a notice of resignation or upon such a termination, or in case at any time such Authenticating Agent shall cease to be eligible in accordance with the provisions of this Section, the Trustee may appoint a successor Authenticating Agent which shall be acceptable to the Issuer and the Guarantor and shall (i) mail written notice of such appointment by first-class mail, postage prepaid, to all Holders of Registered Securities, if any, of the series with respect to which such Authenticating Agent shall serve, as their names and addresses appear in the Security Register, and (ii) if Securities of the series are issued as Bearer Securities, publish notice of such appointment at least once in an Authorized Newspaper in the place where such successor Authenticating Agent has its principal office if such office is located outside the United States. Any successor Authenticating Agent, upon acceptance of its appointment hereunder, shall become vested with all the rights, powers and duties of its predecessor hereunder, with like effect as if originally named as an Authenticating Agent. No successor Authenticating Agent shall be appointed unless eligible under the provisions of this Section.

The Issuer agrees and the Guarantor agrees to pay each Authenticating Agent from time to time reasonable compensation for its services under this Section. If the Trustee makes such payments, it shall be entitled to be reimbursed for such payments, subject to the provisions of Section 606.

The provisions of Sections 308, 603 and 604 shall be applicable to each Authenticating Agent.

If an Authenticating Agent is appointed with respect to one or more series of Securities pursuant to this Section, the Securities of such series may have endorsed thereon, in addition to or in lieu of the Trustee's certificate of authentication, an alternate certificate of authentication in substantially the following form:

This is one of the Securities of the series designated herein referred to in the within-mentioned Indenture.

\_\_\_\_\_  
As Trustee

By \_\_\_\_\_

As Authenticating Agent

By \_\_\_\_\_  
Authorized Officer

If all of the Securities of any series may not be originally issued at one time, and if the Trustee does not have an office capable of authenticating Securities upon original issuance located in a Place of Payment where the Issuer wishes to have Securities of such series authenticated upon original issuance, the Trustee, if so requested in writing (which writing need not be accompanied by or contained in an Officers' Certificate by the Issuer), shall appoint in accordance with this Section an Authenticating Agent having an office in a Place of Payment designated by the Issuer with respect to such series of Securities.

#### ARTICLE SEVEN

##### Holders Lists and Reports by Trustee, Guarantor and Issuer

##### Section 701. Issuer and the Guarantor to Furnish Trustee Names and Addresses of Holders.

In accordance with Section 312(a) of the Trust Indenture Act, the Issuer and the Guarantor (with respect to Securities of each series that are Guaranteed Securities) shall furnish or cause to be furnished to the Trustee

(1) semi-annually with respect to Securities of each series, a list, in each case in such form as the Trustee may reasonably require, of the names and addresses of Holders as of the applicable date, and

(2) at such other times as the Trustee may request in writing, within 30 days after the receipt by the Issuer or the Guarantor (with respect to Securities of each series that are Guaranteed Securities) of any such request, a list of similar form and content as of a date not more than 15 days prior to the time such list is furnished,

provided, however, that so long as the Trustee is the Security Registrar no such list shall be required to be furnished.

##### Section 702. Preservation of Information; Communications to Holders.

The Trustee shall comply with the obligations imposed upon it pursuant to Section 312 of the Trust Indenture Act.

Every Holder of Securities or Coupons, by receiving and holding the same, agrees with the Issuer, the Guarantor and the Trustee that neither the Issuer, the Guarantor, the Trustee, any Paying Agent or any Security Registrar shall be held accountable by reason of the disclosure of any such information as to the names and addresses of the Holders of Securities in accordance with Section 312(c) of the Trust Indenture Act, regardless of the source from which such information was derived, and that the Trustee shall not be held accountable by reason of mailing any material pursuant to a request made under Section 312(b) of the Trust Indenture Act.

##### Section 703. Reports by Trustee.

(1) Within 60 days after September 15 of each year commencing with the first September 15 following the first issuance of Securities pursuant to Section 301, if required by Section 313(a) of the Trust Indenture Act, the

Trustee shall transmit, pursuant to Section 313(c) of the Trust Indenture Act, a brief report dated as of such September 15 with respect to any of the events specified in said Section 313(a) which may have occurred since the later of the immediately preceding September 15 and the date of this Indenture.

(2) The Trustee shall transmit the reports required by Section 313(a) of the Trust Indenture Act at the times specified therein.

(3) Reports pursuant to this Section shall be transmitted in the manner and to the Persons required by Sections 313(c) and 313(d) of the Trust Indenture Act.

#### Section 704. Reports by Issuer and Guarantor.

The Issuer and the Guarantor, pursuant to Section 314(a) of the Trust Indenture Act, shall:

(1) file with the Trustee, within 15 days after the Issuer or the Guarantor, as the case may be, is required to file the same with the Commission, copies of the annual reports and of the information, documents and other reports (or copies of such portions of any of the foregoing as the Commission may from time to time by rules and regulations prescribe) which the Issuer or the Guarantor, as the case may be, may be required to file with the Commission pursuant to Section 13 or Section 15(d) of the Securities Exchange Act of 1934; or, if the Issuer or the Guarantor, as the case may be, is not required to file information, documents or reports pursuant to either of said Sections, then it shall file with the Trustee and the Commission, in accordance with rules and regulations prescribed from time to time by the Commission, such of the supplementary and periodic information, documents and reports which may be required pursuant to Section 13 of the Securities Exchange Act of 1934 in respect of a security listed and registered on a national securities exchange as may be prescribed from time to time in such rules and regulations;

(2) file with the Trustee and the Commission, in accordance with rules and regulations prescribed from time to time by the Commission, such additional information, documents and reports with respect to compliance by the Issuer or the Guarantor, as the case may be, with the conditions and covenants of this Indenture as may be required from time to time by such rules and regulations; and

(3) transmit within 30 days after the filing thereof with the Trustee, in the manner and to the extent provided in Section 313(c) of the Trust Indenture Act, such summaries of any information, documents and reports required to be filed by the Issuer or the Guarantor pursuant to paragraphs (1) and (2) of this Section as may be required by rules and regulations prescribed from time to time by the Commission.

### ARTICLE EIGHT

#### Consolidation, Merger and Sales

##### Section 801. Issuer May Consolidate, Etc., Only on Certain Terms.

Nothing contained in this Indenture or in any of the Securities shall prevent any consolidation or merger of the Issuer with or into any other Person or Persons (whether or not affiliated with the Issuer), or successive consolidations or mergers in which either the Issuer will be the continuing entity or the Issuer or its successor or successors shall be a party or parties, or shall prevent any conveyance, transfer or lease of all or substantially all of the property of the Issuer, to any other Person (whether or not affiliated with the Issuer); provided, however, that:

(1) in case the Issuer shall consolidate with or merge into another Person or convey, transfer or lease all or substantially all of its properties and assets to any Person, the entity formed by such consolidation or into which the Issuer is merged or the Person which acquires by conveyance or transfer, or which leases, all or substantially all of the properties of the Issuer shall be a Person organized and existing under the laws of the United States of America, any state thereof or the District of Columbia and shall expressly assume, by an indenture (or indentures, if at such time there is more than one Trustee) supplemental hereto, executed by the successor Person and the Guarantor and delivered to the Trustee, in form satisfactory to the Trustee, the due and punctual payment of the principal of, any premium and interest on and any Additional Amounts with respect to all the Securities and the performance of every obligation in this Indenture and the Outstanding Securities on the part of the Issuer to be performed or observed;

(2) immediately after giving effect to such transaction, no Event of Default or event which, after notice or lapse of time, or both, would become an Event of Default, shall have occurred and be continuing; and

(3) either the Issuer or the successor Person shall have delivered to the Trustee an Officers' Certificate and an Opinion of Counsel, each stating that such consolidation, merger, conveyance, transfer or lease and, if a supplemental indenture is required in connection with such transaction, such supplemental indenture comply with this Article and that all conditions precedent herein provided for relating to such transaction have been complied with.

No such consolidation, merger, conveyance, transfer or lease shall be permitted by this Section unless prior thereto the Guarantor shall have delivered to the Trustee a Guarantor's Officers' Certificate and an Opinion of Counsel, each stating that the Guarantor's obligations hereunder shall remain in full force and effect thereafter.

##### Section 802. Successor Person Substituted for Issuer.

Upon any consolidation by the Issuer with or merger of the Issuer into any other Person or any conveyance, transfer or lease of all or substantially all of the properties and assets of the Issuer to any Person in accordance with

Section 801, the successor Person formed by such consolidation or into which the Issuer is merged or to which such conveyance, transfer or lease is made shall succeed to, and be substituted for, and may exercise every right and power of, the Issuer under this Indenture with the same effect as if such successor Person had been named as the Issuer herein; and thereafter, except in the case of a lease, the predecessor Person shall be released from all obligations and covenants under this Indenture, the Securities and the Coupons.

Section 803. Guarantor May Consolidate, Etc., Only on Certain Terms.

Nothing contained in this Indenture or in any of the Securities shall prevent any consolidation or merger of the Guarantor with or into any other Person or Persons (whether or not affiliated with the Guarantor), or successive consolidations or mergers in which either the Guarantor will be the continuing entity or the Guarantor or its successor or successors shall be a party or parties, or shall prevent any conveyance, transfer or lease of all or substantially all of the property of the Guarantor, to any other Person (whether or not affiliated with the Guarantor); provided, however, that:

(1) in case the Guarantor shall consolidate with or merge into another Person or convey, transfer or lease all or substantially all of its properties and assets to any Person, the entity formed by such consolidation or into which the Guarantor is merged or the Person which acquires by conveyance or transfer, or which leases, all or substantially all of the properties and assets of the Guarantor shall be a Person organized and existing under the laws of the United States of America, any state thereof or the District of Columbia and shall expressly assume, by an indenture (or indentures, if at such time there is more than one Trustee) supplemental hereto, executed and delivered by the Issuer and the successor Person to the Trustee, in form satisfactory to the Trustee, the obligation of the Guarantor under the Guarantee and the performance of every other covenant of this Indenture on the part of the Guarantor to be performed or observed;

(2) immediately after giving effect to such transaction, no Event of Default and no event which, after notice or lapse of time or both, would become an Event of Default, shall have happened and be continuing; and

(3) each of the Guarantor and the successor Person has delivered to the Trustee a Guarantor's Officers' Certificate and an Opinion of Counsel, each stating that such consolidation, merger, conveyance, transfer or lease and such supplemental indenture comply with this Article and that all conditions precedent herein provided for relating to such transaction have been complied with.

Section 804. Successor Person Substituted for Guarantor.

Upon any consolidation or merger or any conveyance, transfer or lease of all or substantially all of the properties and assets of the Guarantor to any Person in accordance with Section 803, the successor Person formed by such consolidation or into which the Guarantor is merged or to which such conveyance, transfer or lease is made shall succeed to, and be substituted for, and may exercise every right and power of, the Guarantor under this Indenture with the same effect as if such successor Person had been named as the Guarantor herein, and thereafter, except in the case of a lease to another Person, the predecessor Person shall be released from all obligations and covenants under this Indenture.

Section 805. Assumption by Guarantor.

The Guarantor, or a subsidiary thereof that is a Corporation, may directly assume, by an indenture supplemental hereto, executed and delivered to the Trustee, in form satisfactory to the Trustee, the due and punctual payment of the principal of, any premium and interest on and any Additional Amounts with respect to all the Guaranteed Securities and the performance of every covenant of this Indenture on the part of the Issuer to be performed or observed. Upon any such assumption, the Guarantor or such subsidiary shall succeed to, and be substituted for and may exercise every right and power of, the Issuer under this Indenture with the same effect as if the Guarantor or such subsidiary had been named as the Issuer herein and the Issuer shall be released from all obligations and covenants with respect to the Guaranteed Securities. No such assumption shall be permitted unless the Guarantor has delivered to the Trustee (i) a Guarantor's Officers' Certificate and an Opinion of Counsel, each stating that such assumption and supplemental indenture comply with this Article, and that all conditions precedent herein provided for relating to such transaction have been complied with and that, in the event of assumption by a subsidiary, the Guarantee and all other covenants of the Guarantor herein remain in full force and effect and (ii) an opinion of independent counsel that the Holders of Guaranteed Securities or related Coupons (assuming such Holders are only taxed as residents of the United States) shall have no materially adverse United States federal tax consequences as a result of such assumption, and that, if any Securities are then listed on the New York Stock Exchange, that such Securities shall not be delisted as a result of such assumption.

ARTICLE NINE

Supplemental Indentures

Section 901. Supplemental Indentures without Consent of Holders.

Without the consent of any Holders of Securities or Coupons, the Issuer (when authorized by or pursuant to a Board Resolution), the Guarantor (when authorized by a Guarantor's Board Resolution) and the Trustee, at any time and from time to time, may enter into one or more indentures supplemental hereto, in form satisfactory to the Trustee, for any of the following purposes:

(1) to evidence the succession of another Person to the Issuer or the Guarantor, and the assumption by any such successor of the covenants of the Issuer or the Guarantor, as the case may be, contained herein and in the Securities; or

(2) to add to the covenants of the Issuer or the Guarantor for the benefit of the Holders of all or any series of Securities (as shall be specified in such supplemental indenture or indentures) or to surrender any right or power herein conferred upon the Issuer or the Guarantor; or

(3) to add any additional Events of Default with respect to all or any series of Securities (as shall be specified in such supplemental indenture); or

(4) to add to or change any of the provisions of this Indenture to provide that Bearer Securities may be registrable as to principal, to change or eliminate any restrictions on the payment of principal of, any premium or interest on or any Additional Amounts with respect to Securities, to permit Bearer Securities to be issued in exchange for Registered Securities, to permit Bearer Securities to be exchanged for Bearer Securities of other authorized denominations or to permit or facilitate the issuance of Securities in uncertificated form, provided any such action shall not adversely affect the interests of the Holders of Securities of any series or any Coupons appertaining thereto in any material respect; or

(5) to add to, delete from or revise the conditions, limitations and restrictions on the authorized amount, terms or purposes of issue, authentication and delivery of Securities, as herein set forth; or

(6) to secure the Securities; or

(7) to establish the form or terms of Securities of any series and any Coupons appertaining thereto as permitted by Sections 201 and 301; or

(8) to evidence and provide for the acceptance of appointment hereunder by a successor Trustee with respect to the Securities of one or more series and to add to or change any of the provisions of this Indenture as shall be necessary to provide for or facilitate the administration of the trusts hereunder by more than one Trustee, pursuant to the requirements of Section 609; or

(9) to cure any ambiguity or to correct or supplement any provision herein which may be defective or inconsistent with any other provision herein, or to make any other provisions with respect to matters or questions arising under this Indenture which shall not adversely affect the interests of the Holders of Securities of any series then Outstanding or any Coupons appertaining thereto in any material respect; or

(10) to supplement any of the provisions of this Indenture to such extent as shall be necessary to permit or facilitate the defeasance and discharge of any series of Securities pursuant to Article Four, provided that any such action shall not adversely affect the interests of any Holder of a Security of such series and any Coupons appertaining thereto or any other Security or Coupon in any material respect; or

(11) to effect the assumption by the Guarantor or a subsidiary thereof pursuant to Section 805; or

(12) to amend or supplement any provision contained herein or in any supplemental indenture, provided that no such amendment or supplement shall materially adversely affect the interests of the Holders of any Securities then Outstanding.

#### Section 902. Supplemental Indentures with Consent of Holders.

With the consent of the Holders of not less than a majority in principal amount of the Outstanding Securities of each series affected by such supplemental indenture, by Act of said Holders delivered to the Issuer, the Guarantor (if the Securities are Guaranteed Securities) and the Trustee, the Issuer (when authorized by or pursuant to an Issuer's Board Resolution), the Guarantor (when authorized by or pursuant to a Guarantor's Board Resolution), if applicable, and the Trustee may enter into an indenture or indentures supplemental hereto for the purpose of adding any provisions to or changing in any manner or eliminating any of the provisions of this Indenture or of modifying in any manner the rights of the Holders of Securities of such series under this Indenture or of the Securities of such series; provided, however, that no such supplemental indenture, without the consent of the Holder of each Outstanding Security affected thereby, shall

(1) change the Stated Maturity of the principal of, or any premium or installment of interest on or any Additional Amounts with respect to, any Security, or reduce the principal amount thereof or the rate (or modify the calculation of such rate) of interest thereon or any Additional Amounts with respect thereto, or any premium payable upon the redemption thereof or otherwise, or change the obligation of the Issuer to pay Additional Amounts pursuant to Section 1004 (except as contemplated by Section 801(1) and permitted by Section 901(1)), or reduce the amount of the principal of an Original Issue Discount Security that would be due and payable upon a declaration of acceleration of the Maturity thereof pursuant to Section 502 or the amount thereof provable in bankruptcy pursuant to Section 504, change the redemption provisions or adversely affect the right of repayment at the option of any Holder as contemplated by Article Thirteen, or change the Place of Payment, Currency in which the principal of, any premium or interest on, or any Additional Amounts with respect to any Security is payable, or impair the right to institute suit for the enforcement of any such payment on or after the Stated Maturity thereof (or, in the case of redemption, on or after the Redemption Date or, in the case of repayment at the option of the Holder, on or after the date for repayment or in the case of change in control), or

(2) reduce the percentage in principal amount of the Outstanding Securities of any series, the consent of whose Holders is required for any such supplemental indenture, or the consent of whose Holders is required for any waiver (of compliance with certain provisions of this Indenture or certain defaults hereunder and their consequences) provided for in this Indenture, or reduce the requirements of Section 1504 for quorum or voting, or



(3) modify or effect in any manner adverse to the Holders the terms and conditions of the obligations of the Guarantor in respect of the due and punctual payments of principal of, or any premium or interest on or any sinking fund requirements or Additional Amounts with respect to, Guaranteed Securities, or

(4) modify any of the provisions of this Section, Section 513 or Section 1008, except to increase any such percentage or to provide that certain other provisions of this Indenture cannot be modified or waived without the consent of the Holder of each Outstanding Security affected thereby.

A supplemental indenture which changes or eliminates any covenant or other provision of this Indenture which shall have been included expressly and solely for the benefit of one or more particular series of Securities, or which modifies the rights of the Holders of Securities of such series with respect to such covenant or other provision, shall be deemed not to affect the rights under this Indenture of the Holders of Securities of any other series.

It shall not be necessary for any Act of Holders of Securities under this Section to approve the particular form of any proposed supplemental indenture, but it shall be sufficient if such Act shall approve the substance thereof.

#### Section 903. Execution of Supplemental Indentures.

As a condition to executing, or accepting the additional trusts created by, any supplemental indenture permitted by this Article or the modifications thereby of the trust created by this Indenture, the Trustee shall be entitled to receive, and (subject to Section 315 of the Trust Indenture Act) shall be fully protected in relying upon, an Opinion of Counsel stating that the execution of such supplemental indenture is authorized or permitted by this Indenture. The Trustee may, but shall not be obligated to, enter into any such supplemental indenture which affects the Trustee's own rights, duties or immunities under this Indenture or otherwise.

#### Section 904. Effect of Supplemental Indentures.

Upon the execution of any supplemental indenture under this Article, this Indenture shall be modified in accordance therewith, and such supplemental indenture shall form a part of this Indenture for all purposes; and every Holder of a Security theretofore or thereafter authenticated and delivered hereunder and of any Coupon appertaining thereto shall be bound thereby.

#### Section 905. Reference in Securities to Supplemental Indentures.

Securities of any series authenticated and delivered after the execution of any supplemental indenture pursuant to this Article may, and shall if required by the Trustee, bear a notation in form approved by the Trustee as to any matter provided for in such supplemental indenture. If the Issuer shall so determine, new Securities of any series so modified as to conform, in the opinion of the Trustee and the Issuer, to any such supplemental indenture may be prepared and executed by the Issuer and authenticated and delivered by the Trustee in exchange for Outstanding Securities of such series.

#### Section 906. Conformity with Trust Indenture Act.

Every supplemental indenture executed pursuant to this Article shall conform to the requirements of the Trust Indenture Act as then in effect.

### ARTICLE TEN

#### Covenants

#### Section 1001. Payment of Principal, any Premium, Interest and Additional Amounts.

The Issuer covenants and agrees for the benefit of the Holders of the Securities of each series that it will duly and punctually pay the principal of, any premium and interest on and any Additional Amounts with respect to the Securities of such series in accordance with the terms thereof, any Coupons appertaining thereto and this Indenture. Any interest due on any Bearer Security on or before the Maturity thereof, and any Additional Amounts payable with respect to such interest, shall be payable only upon presentation and surrender of the Coupons appertaining thereto for such interest as they severally mature.

#### Section 1002. Maintenance of Office or Agency.

The Issuer or the Guarantor (if any Guaranteed Securities are Outstanding) shall maintain in each Place of Payment for any series of Securities an Office or Agency where Securities of such series (but not Bearer Securities, except as otherwise provided below, unless such Place of Payment is located outside the United States) may be presented or surrendered for payment, where Securities of such series may be surrendered for registration of transfer or exchange, and where notices and demands to or upon the Issuer or the Guarantor (if any Guaranteed Securities are Outstanding) in respect of the Securities of such series relating thereto and this Indenture may be served. If Securities of a series are issuable as Bearer Securities, the Issuer or the Guarantor (if any Guaranteed Securities are Outstanding) shall maintain, subject to any laws or regulations applicable thereto, an Office or Agency in a Place of Payment for such series which is located outside the United States where Securities of such series and any Coupons appertaining thereto may be presented and surrendered for payment; provided, however, that if the Securities of such series are listed on The Stock Exchange of the United Kingdom and the Republic of Ireland or the Luxembourg Stock Exchange or any other stock exchange located outside the United States and such stock exchange shall so require, the Issuer or the Guarantor (if any Guaranteed Securities are Outstanding) shall maintain a Paying Agent in London, Luxembourg or any other required city located outside the United States, as the case may be, so long as the Securities of such series are listed on such exchange. The Issuer or the Guarantor (if any Guaranteed Securities are Outstanding) will give prompt written notice to the Trustee of

the location, and any change in the location, of such Office or Agency. If at any time the Issuer or the Guarantor shall fail to maintain any such required Office or Agency or shall fail to furnish the Trustee with the address thereof, such presentations, surrenders, notices and demands may be made or served at the Corporate Trust Office of the Trustee, except that Bearer Securities of such series and any Coupons appertaining thereto may be presented and surrendered for payment at the place specified for the purpose with respect to such Securities as provided in or pursuant to this Indenture, and the Issuer and the Guarantor each hereby appoints the Trustee as its agent to receive all such presentations, surrenders, notices and demands.

Except as otherwise provided in or pursuant to this Indenture, no payment of principal, premium, interest or Additional Amounts with respect to Bearer Securities shall be made at any Office or Agency in the United States or by check mailed to any address in the United States or by transfer to an account maintained with a bank located in the United States; provided, however, if amounts owing with respect to any Bearer Securities shall be payable in Dollars, payment of principal of, any premium or interest on and any Additional Amounts with respect to any such Security may be made at the Corporate Trust Office of the Trustee or any Office or Agency designated by the Issuer in the City of \_\_\_\_\_, \_\_\_\_\_, if (but only if) payment of the full amount of such principal, premium, interest or Additional Amounts at all offices outside the United States maintained for such purpose by the Issuer in accordance with this Indenture is illegal or effectively precluded by exchange controls or other similar restrictions.

The Issuer or the Guarantor (if any Guaranteed Securities are Outstanding) may also from time to time designate one or more other Offices or Agencies where the Securities of one or more series may be presented or surrendered for any or all such purposes and may from time to time rescind such designations; provided, however, that no such designation or rescission shall in any manner relieve the Issuer or the Guarantor of its obligation to maintain an Office or Agency in each Place of Payment for Securities of any series for such purposes. The Issuer or the Guarantor (if any Guaranteed Securities are Outstanding) shall give prompt written notice to the Trustee of any such designation or rescission and of any change in the location of any such other Office or Agency. Unless otherwise provided in or pursuant to this Indenture, the Issuer and the Guarantor (with respect to any Guaranteed Securities) each hereby designates as the Place of Payment for each series of Securities the City of \_\_\_\_\_, \_\_\_\_\_, and initially appoints \_\_\_\_\_ as the Office or Agency of the Issuer or the Guarantor (with respect to any Guaranteed Securities), as the case may be, in the City of \_\_\_\_\_, \_\_\_\_\_ for such purpose. The Issuer or the Guarantor, as the case may be, may subsequently appoint a different Office or Agency in the City of \_\_\_\_\_, \_\_\_\_\_ for the Securities of any series.

Unless otherwise specified with respect to any Securities pursuant to Section 301, if and so long as the Securities of any series (i) are denominated in a Foreign Currency or (ii) may be payable in a Foreign Currency, or so long as it is required under any other provision of this Indenture, then the Issuer will maintain with respect to each such series of Securities, or as so required, at least one exchange rate agent.

#### Section 1003. Money for Securities Payments to Be Held in Trust.

If the Issuer shall at any time act as its own Paying Agent with respect to any series of Securities, it shall, on or before each due date of the principal of, any premium or interest on or Additional Amounts with respect to any of the Securities of such series, segregate and hold in trust for the benefit of the Persons entitled thereto a sum in the currency or currencies, currency unit or units or composite currency or currencies in which the Securities of such series are payable (except as otherwise specified pursuant to Section 301 for the Securities of such series) sufficient to pay the principal or any premium, interest or Additional Amounts so becoming due until such sums shall be paid to such Persons or otherwise disposed of as herein provided, and shall promptly notify the Trustee of its action or failure so to act.

Whenever the Issuer shall have one or more Paying Agents for any series of Securities, it shall, on or prior to each due date of the principal of, any premium or interest on or any Additional Amounts with respect to any Securities of such series, deposit with any Paying Agent a sum (in the currency or currencies, currency unit or units or composite currency or currencies described in the preceding paragraph) sufficient to pay the principal or any premium, interest or Additional Amounts so becoming due, such sum to be held in trust for the benefit of the Persons entitled thereto, and (unless such Paying Agent is the Trustee) the Issuer will promptly notify the Trustee of its action or failure so to act.

The Issuer shall cause each Paying Agent for any series of Securities other than the Trustee to execute and deliver to the Trustee an instrument in which such Paying Agent shall agree with the Trustee, subject to the provisions of this Section, that such Paying Agent shall:

(1) hold all sums held by it for the payment of the principal of, any premium or interest on or any Additional Amounts with respect to Securities of such series in trust for the benefit of the Persons entitled thereto until such sums shall be paid to such Persons or otherwise disposed of as provided in or pursuant to this Indenture;

(2) give the Trustee notice of any default by the Issuer or the Guarantor (or any other obligor upon the Securities of such series) in the making of any payment of principal, any premium or interest on or any Additional Amounts with respect to the Securities of such series; and

(3) at any time during the continuance of any such default, upon the written request of the Trustee, forthwith pay to the Trustee all sums so held in trust by such Paying Agent.

The Issuer or the Guarantor (with Securities that are Guaranteed Securities) may at any time, for the purpose of obtaining the satisfaction and

discharge of this Indenture or for any other purpose, pay, or by Issuer Order or Guarantor Order, as the case may be, direct any Paying Agent to pay, to the Trustee all sums held in trust by the Issuer or such Paying Agent, such sums to be held by the Trustee upon the same terms as those upon which such sums were held by the Issuer or such Paying Agent; and, upon such payment by any Paying Agent to the Trustee, such Paying Agent shall be released from all further liability with respect to such sums.

Except as otherwise provided herein or pursuant hereto, any money deposited with the Trustee or any Paying Agent, or then held by the Issuer, in trust for the payment of the principal of, any premium or interest on or any Additional Amounts with respect to any Security of any series or any Coupon appertaining thereto and remaining unclaimed for two years after such principal or any such premium or interest or any such Additional Amounts shall have become due and payable shall be paid to the Issuer on Issuer Request (or if deposited by the Guarantor, paid to the Guarantor on Guarantor Request), or (if then held by the Issuer) shall be discharged from such trust; and the Holder of such Security or any Coupon appertaining thereto shall thereafter, as an unsecured general creditor, look only to the Issuer and the Guarantor (if the Securities are Guaranteed Securities) for payment thereof, and all liability of the Trustee or such Paying Agent with respect to such trust money, and all liability of the Issuer as trustee thereof, shall thereupon cease; provided, however, that the Trustee or such Paying Agent, before being required to make any such repayment, may at the expense of the Issuer cause to be published once, in an Authorized Newspaper in each Place of Payment for such series or to be mailed to Holders of Registered Securities of such series, or both, notice that such money remains unclaimed and that, after a date specified therein, which shall not be less than 30 days from the date of such publication or mailing nor shall it be later than two years after such principal and any premium or interest or Additional Amounts shall have become due and payable, any unclaimed balance of such money then remaining will be repaid to the Issuer or the Guarantor, as the case may be.

#### Section 1004. Additional Amounts.

If any Securities of a series provide for the payment of Additional Amounts, the Issuer and the Guarantor (if the Securities are Guaranteed Securities) agree to pay to the Holder of any such Security or any Coupon appertaining thereto Additional Amounts as provided in or pursuant to this Indenture or such Securities. Whenever in this Indenture there is mentioned, in any context, the payment of the principal of or any premium or interest on, or in respect of, any Security of any series or any Coupon or the net proceeds received on the sale or exchange of any Security of any series, such mention shall be deemed to include mention of the payment of Additional Amounts provided by the terms of such series established hereby or pursuant hereto to the extent that, in such context, Additional Amounts are, were or would be payable in respect thereof pursuant to such terms, and express mention of the payment of Additional Amounts (if applicable) in any provision hereof shall not be construed as excluding Additional Amounts in those provisions hereof where such express mention is not made.

Except as otherwise provided in or pursuant to this Indenture or the Securities of the applicable series, if the Securities of a series provide for the payment of Additional Amounts, at least 10 days prior to the first Interest Payment Date with respect to such series of Securities (or if the Securities of such series shall not bear interest prior to Maturity, the first day on which a payment of principal is made), and at least 10 days prior to each date of payment of principal or interest if there has been any change with respect to the matters set forth in the below-mentioned Officers' Certificate, the Issuer or the Guarantor, as the case may be, shall furnish to the Trustee and the principal Paying Agent or Paying Agents, if other than the Trustee, an Officers' Certificate instructing the Trustee and such Paying Agent or Paying Agents whether such payment of principal of and premium, if any, or interest on the Securities of such series shall be made to Holders of Securities of such series or the Coupons appertaining thereto who are United States Aliens without withholding for or on account of any tax, assessment or other governmental charge described in the Securities of such series. If any such withholding shall be required, then such Officers' Certificate shall specify by country the amount, if any, required to be withheld on such payments to such Holders of Securities or Coupons, and the Issuer and the Guarantor (if the Securities are Guaranteed Securities) agree to pay to the Trustee or such Paying Agent the Additional Amounts required by the terms of such Securities. The Issuer and the Guarantor each covenant to indemnify the Trustee and any Paying Agent for, and to hold them harmless against, any loss, liability or expense reasonably incurred without negligence or bad faith on their part arising out of or in connection with actions taken or omitted by any of them in reliance on any Officers' Certificate furnished pursuant to this Section.

#### Section 1005. Maintenance of Properties.

The Issuer will cause all of its material properties used or useful in the conduct of its business or the business of any Subsidiary to be maintained and kept in good condition, repair and working order and supplied with all necessary equipment and will cause to be made all necessary repairs, renewals, replacements, betterments and improvements thereof, all as in the judgment of the Issuer may be necessary so that the business carried on in connection therewith may be properly and advantageously conducted at all times; provided, however, that nothing in this Section shall prevent the Issuer or any Subsidiary from selling or otherwise disposing for value any of its properties in the ordinary course of its business.

#### Section 1006. Insurance.

The Issuer will, and will cause each of its Subsidiaries to, keep all of its insurable properties insured against loss or damage at least equal to their then full insurable value with financially sound and reputable insurers of recognized responsibility.

#### Section 1007. Existence.

Subject to Article Eight, the Issuer shall do or cause to be done all

things necessary to preserve and keep in full force and effect their respective existences and that of each Subsidiary and their respective rights (charter and statutory) and franchises; provided, however, that the foregoing shall not obligate the Issuer to preserve any such right or franchise if the Issuer or any Subsidiary shall determine that the preservation thereof is no longer desirable in the conduct of its business or the business of such Subsidiary and that the loss thereof is not disadvantageous in any material respect to any Holder.

Section 1008. Waiver of Certain Covenants.

The Issuer or the Guarantor, as the case may be, may omit in any particular instance to comply with any term, provision or condition set forth in Sections 1005, 1006, 1007, 1011 or 1012 with respect to the Securities of any series if before the time for such compliance the Holders of at least a majority in principal amount of the Outstanding Securities of such series, by Act of such Holders, either shall waive such compliance in such instance or generally shall have waived compliance with such term, provision or condition, but no such waiver shall extend to or affect such term, provision or condition except to the extent so expressly waived, and, until such waiver shall become effective, the obligations of the Issuer and the Guarantor and the duties of the Trustee in respect of any such term, provision or condition shall remain in full force and effect.

Section 1009. Issuer Statement as to Compliance; Notice of Certain Defaults.

The Issuer shall deliver to the Trustee, within 120 days after the end of each fiscal year, a written statement (which need not be contained in or accompanied by an Officers' Certificate) signed by the principal executive officer, the principal financial officer or the principal accounting officer of the General Partner acting in its capacity as the sole general partner of the Issuer, stating that

(a) a review of the activities of the Issuer during such year and of its performance under this Indenture has been made under his or her supervision, and

(b) to the best of his or her knowledge, based on such review, (a) the Issuer has complied with all the conditions and covenants imposed on it under this Indenture throughout such year, or, if there has been a default in the fulfillment of any such condition or covenant, specifying each such default known to him or her and the nature and status thereof, and (b) no event has occurred and is continuing which is, or after notice or lapse of time or both would become, an Event of Default, or, if such an event has occurred and is continuing, specifying each such event known to him and the nature and status thereof.

(2) The Issuer shall deliver to the Trustee, within five days after the occurrence thereof, written notice of any Event of Default or any event which after notice or lapse of time or both would become an Event of Default pursuant to clause (4) of Section 501.

Section 1010. Guarantor Statement as to Compliance; Notice of Certain Defaults.

The Guarantor shall deliver to the Trustee, within 120 days after the end of each fiscal year, a written statement (which need not be contained in or accompanied by an Officers' Certificate) signed by the principal executive officer, the principal financial officer or the principal accounting officer of the Guarantor, stating that

(a) a review of the activities of the Guarantor during such year and of performance under this Indenture has been made under his or her supervision, and

(b) to the best of his or her knowledge, based on such review, (a) the Guarantor has complied with conditions and covenants imposed on it under this Indenture throughout such year, or, if there has been a default in the fulfillment of any such condition or covenant, specifying each such default known to him or her and the nature and status thereof, and (b) no event has occurred and is continuing which constitutes, or which after notice or lapse of time or both would become, an Event of Default, or, if such an event has occurred and is continuing, specifying each such event known to him and the nature and status thereof.

The Guarantor shall deliver to the Trustee, within five days after the occurrence thereof, written notice of any event which after notice or lapse of time or both would become an Event of Default pursuant to clause (4) of Section 501.

Section 1011. Payment of Taxes and Other Claims.

The Issuer will pay or discharge or cause to be paid or discharged, before the same shall become delinquent, (1) all taxes, assessments and governmental charges levied or imposed upon them or any Subsidiary or upon the income, profits or property of the Issuer or any Subsidiary, and (2) all lawful claims for labor, materials and supplies which, if unpaid, might by law become a lien upon the property of the Issuer or any Subsidiary; provided, however, that the Issuer shall not be required to pay or discharge or cause to be paid or discharged any such tax, assessment, charge or claim whose amount, applicability or validity is being contested in good faith by appropriate proceedings.

Section 1012. Provision of Financial Information.

Whether or not the Issuer is subject to Section 13 or 15(d) of the Exchange Act and for so long as any Securities are outstanding, the Issuer will, to the extent permitted under the Exchange Act, file with the Commission the annual reports, quarterly reports and other documents which the Issuer would have been required to file with the Commission pursuant to such Section 13 or 15(d) (the "Financial Statements") if the Issuer were so subject, such documents

to be filed with the Commission on or prior to the respective dates (the "Required Filing Dates") by which the Issuer would have been required so to file such documents if the Issuer were so subject.

The Issuer will also in any event (x) within 15 days after each Required Filing Date (i) transmit by mail to all Holders, as their names and addresses appear in the Security Register, without cost to such Holders copies of the annual reports and quarterly reports which the Issuer would have been required to file with the Commission pursuant to Section 13 or 15(d) of the Exchange Act if the Issuer were subject to such Sections, and (ii) file with the Trustee copies of the annual reports, quarterly reports and other documents which the Issuer would have been required to file with the Commission pursuant to Section 13 or 15(d) of the Exchange Act if the Issuer were subject to such Sections and (y) if filing such documents by the Issuer with the Commission is not permitted under the Exchange Act, promptly upon written request and payment of the reasonable cost of duplication and delivery, supply copies of such documents to any prospective Holder.

## ARTICLE ELEVEN

### Redemption of Securities

#### Section 1101. Applicability of Article.

Redemption of Securities of any series at the option of the Issuer as permitted or required by the terms of such Securities shall be made in accordance with the terms of such Securities and (except as otherwise provided herein or pursuant hereto) this Article.

#### Section 1102. Election to Redeem; Notice to Trustee.

The election of the Issuer to redeem any Securities shall be evidenced by or pursuant to a Board Resolution. In case of any redemption at the election of the Issuer of (a) less than all of the Securities of any series or (b) all of the Securities of any series, with the same issue date, interest rate or formula, Stated Maturity and other terms, the Issuer shall, at least 60 days prior to the Redemption Date fixed by the Issuer (unless a shorter notice shall be satisfactory to the Trustee), notify the Trustee of such Redemption Date and of the principal amount of Securities of such series to be redeemed.

#### Section 1103. Selection by Trustee of Securities to be Redeemed.

If less than all of the Securities of any series with the same issue date, interest rate or formula, Stated Maturity and other terms are to be redeemed, the particular Securities to be redeemed shall be selected not more than 60 days prior to the Redemption Date by the Trustee from the Outstanding Securities of such series not previously called for redemption, by such method as the Trustee shall deem fair and appropriate and which may provide for the selection for redemption of portions of the principal amount of Registered Securities of such series; provided, however, that no such partial redemption shall reduce the portion of the principal amount of a Registered Security of such series not redeemed to less than the minimum denomination for a Security of such series established herein or pursuant hereto.

The Trustee shall promptly notify the Issuer and the Security Registrar (if other than itself) in writing of the Securities selected for redemption and, in the case of any Securities selected for partial redemption, the principal amount thereof to be redeemed.

For all purposes of this Indenture, unless the context otherwise requires, all provisions relating to the redemption of Securities shall relate, in the case of any Securities redeemed or to be redeemed only in part, to the portion of the principal of such Securities which has been or is to be redeemed.

Unless otherwise specified in or pursuant to this Indenture or the Securities of any series, if any Security selected for partial redemption is converted or exchanged for Common Stock or other securities in part before termination of the conversion or exchange right with respect to the portion of the Security so selected, the converted portion of such Security shall be deemed (so far as may be) to be the portion selected for redemption. Securities which have been converted or exchanged during a selection of Securities to be redeemed shall be treated by the Trustee as Outstanding for the purpose of such selection.

#### Section 1104. Notice of Redemption.

Notice of redemption shall be given in the manner provided in Section 106, not less than 30 nor more than 60 days prior to the Redemption Date, unless a shorter period is specified in the Securities to be redeemed, to the Holders of Securities to be redeemed. Failure to give notice by mailing in the manner herein provided to the Holder of any Registered Securities designated for redemption as a whole or in part, or any defect in the notice to any such Holder, shall not affect the validity of the proceedings for the redemption of any other Securities or portion thereof.

Any notice that is mailed to the Holder of any Registered Securities in the manner herein provided shall be conclusively presumed to have been duly given, whether or not such Holder receives the notice.

All notices of redemption shall state:

- (1) the Redemption Date,
- (2) the Redemption Price,

(3) if less than all Outstanding Securities of any series are to be redeemed, the identification (and, in the case of partial redemption, the principal amount) of the particular Security or Securities to be redeemed,

- (4) in case any Security is to be redeemed in part only, the notice

which relates to such Security shall state that on and after the Redemption Date, upon surrender of such Security, the Holder of such Security will receive, without charge, a new Security or Securities of authorized denominations for the principal amount thereof remaining unredeemed,

(5) that, on the Redemption Date, the Redemption Price shall become due and payable upon each such Security or portion thereof to be redeemed, and, if applicable, that interest thereon shall cease to accrue on and after said date,

(6) the place or places where such Securities, together (in the case of Bearer Securities) with all Coupons appertaining thereto, if any, maturing after the Redemption Date, are to be surrendered for payment of the Redemption Price and any accrued interest and Additional Amounts pertaining thereto,

(7) that the redemption is for a sinking fund, if such is the case,

(8) that, unless otherwise specified in such notice, Bearer Securities of any series, if any, surrendered for redemption must be accompanied by all Coupons maturing subsequent to the date fixed for redemption or the amount of any such missing Coupon or Coupons will be deducted from the Redemption Price, unless security or indemnity satisfactory to the Issuer, the Trustee and any Paying Agent is furnished,

(9) if Bearer Securities of any series are to be redeemed and any Registered Securities of such series are not to be redeemed, and if such Bearer Securities may be exchanged for Registered Securities not subject to redemption on the Redemption Date pursuant to Section 305 or otherwise, the last date, as determined by the Issuer, on which such exchanges may be made,

(10) in the case of Securities of any series that are convertible or exchangeable into Common Stock or other securities, the conversion or exchange price or rate, the date or dates on which the right to convert or exchange the principal of the Securities of such series to be redeemed will commence or terminate and the place or places where such Securities may be surrendered for conversion or exchange, and

(11) the CUSIP number or the Euroclear or the Cedel reference numbers of such Securities, if any (or any other numbers used by a Depository to identify such Securities).

A notice of redemption published as contemplated by Section 106 need not identify particular Registered Securities to be redeemed.

Notice of redemption of Securities to be redeemed at the election of the Issuer shall be given by the Issuer or, at the Issuer's request, by the Trustee in the name and at the expense of the Issuer.

#### Section 1105. Deposit of Redemption Price.

On or prior to any Redemption Date, the Issuer shall deposit, with respect to the Securities of any series called for redemption pursuant to Section 1104, with the Trustee or with a Paying Agent (or, if the Issuer is acting as its own Paying Agent, segregate and hold in trust as provided in Section 1003) an amount of money in the applicable Currency sufficient to pay the Redemption Price of, and (except if the Redemption Date shall be an Interest Payment Date, unless otherwise specified pursuant to Section 301 or in the Securities of such series) any accrued interest on and Additional Amounts with respect thereto, all such Securities or portions thereof which are to be redeemed on that date.

#### Section 1106. Securities Payable on Redemption Date.

Notice of redemption having been given as aforesaid, the Securities so to be redeemed shall, on the Redemption Date, become due and payable at the Redemption Price therein specified, and from and after such date (unless the Issuer shall default in the payment of the Redemption Price and accrued interest) such Securities shall cease to bear interest and the Coupons for such interest appertaining to any Bearer Securities so to be redeemed, except to the extent provided below, shall be void. Upon surrender of any such Security for redemption in accordance with said notice, together with all Coupons, if any, appertaining thereto maturing after the Redemption Date, such Security shall be paid by the Issuer at the Redemption Price, together with any accrued interest and Additional Amounts to the Redemption Date; provided, however, that, except as otherwise provided in or pursuant to this Indenture or the Bearer Securities of such series, installments of interest on Bearer Securities whose Stated Maturity is on or prior to the Redemption Date shall be payable only upon presentation and surrender of Coupons for such interest (at an Office or Agency located outside the United States except as otherwise provided in Section 1002), and provided, further, that, except as otherwise specified in or pursuant to this Indenture or the Registered Securities of such series, installments of interest on Registered Securities whose Stated Maturity is on or prior to the Redemption Date shall be payable to the Holders of such Securities, or one or more Predecessor Securities, registered as such at the close of business on the Regular Record Dates therefor according to their terms and the provisions of Section 307.

If any Bearer Security surrendered for redemption shall not be accompanied by all appurtenant Coupons maturing after the Redemption Date, such Security may be paid after deducting from the Redemption Price an amount equal to the face amount of all such missing Coupons, or the surrender of such missing Coupon or Coupons may be waived by the Issuer and the Trustee if there be furnished to them such security or indemnity as they may require to save each of them and any Paying Agent harmless. If thereafter the Holder of such Security shall surrender to the Trustee or any Paying Agent any such missing Coupon in respect of which a deduction shall have been made from the Redemption Price, such Holder shall be entitled to receive the amount so deducted; provided, however, that any interest or Additional Amounts represented by Coupons shall be payable only upon presentation and surrender of those Coupons at an Office or Agency for such Security located outside of the United States except as

otherwise provided in Section 1002.

If any Security called for redemption shall not be so paid upon surrender thereof for redemption, the principal and any premium, until paid, shall bear interest from the Redemption Date at the rate prescribed therefor in the Security.

#### Section 1107. Securities Redeemed in Part.

Any Registered Security which is to be redeemed only in part shall be surrendered at any Office or Agency for such Security (with, if the Issuer or the Trustee so requires, due endorsement by, or a written instrument of transfer in form satisfactory to the Issuer and the Trustee duly executed by, the Holder thereof or his attorney duly authorized in writing) and the Issuer shall execute and the Trustee shall authenticate and deliver to the Holder of such Security without service charge, a new Registered Security or Securities of the same series, containing identical terms and provisions, of any authorized denomination as requested by such Holder in aggregate principal amount equal to and in exchange for the unredeemed portion of the principal of the Security so surrendered. If a Security in global form is so surrendered, the Issuer shall execute, and the Trustee shall authenticate and deliver to the U.S. Depository or other Depository for such Security in global form as shall be specified in the Issuer Order with respect thereto to the Trustee, without service charge, a new Security in global form in a denomination equal to and in exchange for the unredeemed portion of the principal of the Security in global form so surrendered.

### ARTICLE TWELVE

#### Sinking Funds

##### Section 1201. Applicability of Article.

The provisions of this Article shall be applicable to any sinking fund for the retirement of Securities of a series, except as otherwise permitted or required in or pursuant to this Indenture or any Security of such series issued pursuant to this Indenture.

The minimum amount of any sinking fund payment provided for by the terms of Securities of any series is herein referred to as a "mandatory sinking fund payment", and any payment in excess of such minimum amount provided for by the terms of Securities of such series is herein referred to as an "optional sinking fund payment". If provided for by the terms of Securities of any series, the cash amount of any sinking fund payment may be subject to reduction as provided in Section 1202. Each sinking fund payment shall be applied to the redemption of Securities of any series as provided for by the terms of Securities of such series and this Indenture.

##### Section 1202. Satisfaction of Sinking Fund Payments with Securities.

The Issuer may, in satisfaction of all or any part of any sinking fund payment with respect to the Securities of any series to be made pursuant to the terms of such Securities (1) deliver Outstanding Securities of such series (other than any of such Securities previously called for redemption or any of such Securities in respect of which cash shall have been released to the Issuer), together in the case of any Bearer Securities of such series with all unmatured Coupons appertaining thereto, and (2) apply as a credit Securities of such series which have been redeemed either at the election of the Issuer pursuant to the terms of such series of Securities or through the application of permitted optional sinking fund payments pursuant to the terms of such Securities, provided that such series of Securities have not been previously so credited. Such Securities shall be received and credited for such purpose by the Trustee at the Redemption Price specified in such Securities for redemption through operation of the sinking fund and the amount of such sinking fund payment shall be reduced accordingly. If as a result of the delivery or credit of Securities of any series in lieu of cash payments pursuant to this Section 1202, the principal amount of Securities of such series to be redeemed in order to exhaust the aforesaid cash payment shall be less than \$100,000, the Trustee need not call Securities of such series for redemption, except upon Issuer Request, and such cash payment shall be held by the Trustee or a Paying Agent and applied to the next succeeding sinking fund payment, provided, however, that the Trustee or such Paying Agent shall at the request of the Issuer from time to time pay over and deliver to the Issuer any cash payment so being held by the Trustee or such Paying Agent upon delivery by the Issuer to the Trustee of Securities of that series purchased by the Issuer having an unpaid principal amount equal to the cash payment requested to be released to the Issuer.

##### Section 1203. Redemption of Securities for Sinking Fund.

Not less than 75 days prior to each sinking fund payment date for any series of Securities, the Issuer shall deliver to the Trustee an Officers' Certificate specifying the amount of the next ensuing mandatory sinking fund payment for that series pursuant to the terms of that series, the portion thereof, if any, which is to be satisfied by payment of cash and the portion thereof, if any, which is to be satisfied by delivering and crediting of Securities of that series pursuant to Section 1202, and the optional amount, if any, to be added in cash to the next ensuing mandatory sinking fund payment, and will also deliver to the Trustee any Securities to be so credited and not theretofore delivered. If such Officers' Certificate shall specify an optional amount to be added in cash to the next ensuing mandatory sinking fund payment, the Issuer shall thereupon be obligated to pay the amount therein specified. Not less than 60 days before each such sinking fund payment date the Trustee shall select the Securities to be redeemed upon such sinking fund payment date in the manner specified in Section 1103 and cause notice of the redemption thereof to be given in the name of and at the expense of the Issuer in the manner provided in Section 1104. Such notice having been duly given, the redemption of such Securities shall be made upon the terms and in the manner stated in Sections 1106 and 1107.

### ARTICLE THIRTEEN

## Repayment at the Option of Holders

### Section 1301. Applicability of Article.

Securities of any series which are repayable at the option of the Holders thereof before their Stated Maturity shall be repaid in accordance with the terms of the Securities of such series. The repayment of any principal amount of Securities pursuant to such option of the Holder to require repayment of Securities before their Stated Maturity, for purposes of Section 309, shall not operate as a payment, redemption or satisfaction of the Indebtedness represented by such Securities unless and until the Issuer, at its option, shall deliver or surrender the same to the Trustee with a directive that such Securities be cancelled. Notwithstanding anything to the contrary contained in this Section 1301, in connection with any repayment of Securities, the Issuer may arrange for the purchase of any Securities by an agreement with one or more investment bankers or other purchasers to purchase such Securities by paying to the Holders of such Securities on or before the close of business on the repayment date an amount not less than the repayment price payable by the Issuer on repayment of such Securities, and the obligation of the Issuer to pay the repayment price of such Securities shall be satisfied and discharged to the extent such payment is so paid by such purchasers.

## ARTICLE FOURTEEN

### Securities in Foreign Currencies

#### Section 1401. Applicability of Article.

Whenever this Indenture provides for (i) any action by, or the determination of any of the rights of, Holders of Securities of any series in which not all of such Securities are denominated in the same Currency, or (ii) any distribution to Holders of Securities, in the absence of any provision to the contrary in the form of Security of any particular series or pursuant to this Indenture or the Securities, any amount in respect of any Security denominated in a Currency other than Dollars shall be treated for any such action or distribution as that amount of Dollars that could be obtained for such amount on such reasonable basis of exchange and as of the record date with respect to Registered Securities of such series (if any) for such action, determination of rights or distribution (or, if there shall be no applicable record date, such other date reasonably proximate to the date of such action, determination of rights or distribution) as the Issuer or the Guarantor may specify in a written notice to the Trustee or, in the absence of such written notice, as the Trustee may determine.

## ARTICLE FIFTEEN

### Meetings of Holders of Securities

#### Section 1501. Purposes for Which Meetings May Be Called.

A meeting of Holders of Securities of any series may be called at any time and from time to time pursuant to this Article to make, give or take any request, demand, authorization, direction, notice, consent, waiver or other Act provided by this Indenture to be made, given or taken by Holders of Securities of such series.

#### Section 1502. Call, Notice and Place of Meetings.

(1) The Trustee may at any time call a meeting of Holders of Securities of any series for any purpose specified in Section 1501, to be held at such time and at such place in the City of \_\_\_\_\_, \_\_\_\_\_, or, if Securities of such series have been issued in whole or in part as Bearer Securities, in London or in such place outside the United States as the Trustee shall determine. Notice of every meeting of Holders of Securities of any series, setting forth the time and the place of such meeting and in general terms the action proposed to be taken at such meeting, shall be given, in the manner provided in Section 106, not less than 21 nor more than 180 days prior to the date fixed for the meeting.

(2) In case at any time the Issuer (by or pursuant to a Board Resolution), the Guarantor (if the Securities are Guaranteed Securities), by or pursuant to a Guarantor's Board Resolution or the Holders of at least 10% in principal amount of the Outstanding Securities of any series shall have requested the Trustee to call a meeting of the Holders of Securities of such series for any purpose specified in Section 1501, by written request setting forth in reasonable detail the action proposed to be taken at the meeting, and the Trustee shall not have mailed notice of or made the first publication of the notice of such meeting within 21 days after receipt of such request (whichever shall be required pursuant to Section 106) or shall not thereafter proceed to cause the meeting to be held as provided herein, then the Issuer, the Guarantor, if applicable, or the Holders of Securities of such series in the amount above specified, as the case may be, may determine the time and the place in the City of \_\_\_\_\_, \_\_\_\_\_, or, if Securities of such series are to be issued as Bearer Securities, in London for such meeting and may call such meeting for such purposes by giving notice thereof as provided in clause (1) of this Section.

#### Section 1503. Persons Entitled to Vote at Meetings.

To be entitled to vote at any meeting of Holders of Securities of any series, a Person shall be (1) a Holder of one or more Outstanding Securities of such series, or (2) a Person appointed by an instrument in writing as proxy for a Holder or Holders of one or more Outstanding Securities of such series by such Holder or Holders. The only Persons who shall be entitled to be present or to speak at any meeting of Holders of Securities of any series shall be the Persons entitled to vote at such meeting and their counsel, any representatives of the Trustee and its counsel, any representatives of the Guarantor and its counsel and any representatives of the Issuer and its counsel.



#### Section 1504. Quorum; Action.

The Persons entitled to vote a majority in principal amount of the Outstanding Securities of a series shall constitute a quorum for a meeting of Holders of Securities of such series. In the absence of a quorum within 30 minutes after the time appointed for any such meeting, the meeting shall, if convened at the request of Holders of Securities of such series, be dissolved. In any other case the meeting may be adjourned for a period of not less than 10 days as determined by the chairman of the meeting prior to the adjournment of such meeting. In the absence of a quorum at any such adjourned meeting, such adjourned meeting may be further adjourned for a period of not less than 10 days as determined by the chairman of the meeting prior to the adjournment of such adjourned meeting. Notice of the reconvening of any adjourned meeting shall be given as provided in Section 1502(1), except that such notice need be given only once not less than five days prior to the date on which the meeting is scheduled to be reconvened. Notice of the reconvening of an adjourned meeting shall state expressly the percentage, as provided above, of the principal amount of the Outstanding Securities of such series which shall constitute a quorum.

Except as limited by the proviso to Section 902, any resolution presented to a meeting or adjourned meeting duly reconvened at which a quorum is present as aforesaid may be adopted only by the affirmative vote of the Holders of a majority in principal amount of the Outstanding Securities of that series; provided, however, that, except as limited by the proviso to Section 902, any resolution with respect to any request, demand, authorization, direction, notice, consent, waiver or other Act which this Indenture expressly provides may be made, given or taken by the Holders of a specified percentage, which is less than a majority, in principal amount of the Outstanding Securities of a series may be adopted at a meeting or an adjourned meeting duly reconvened and at which a quorum is present as aforesaid by the affirmative vote of the Holders of such specified percentage in principal amount of the Outstanding Securities of such series.

Any resolution passed or decision taken at any meeting of Holders of Securities of any series duly held in accordance with this Section shall be binding on all the Holders of Securities of such series and the Coupons appertaining thereto, whether or not such Holders were present or represented at the meeting.

#### Section 1505. Determination of Voting Rights; Conduct and Adjournment of Meetings.

(1) Notwithstanding any other provisions of this Indenture, the Trustee may make such reasonable regulations as it may deem advisable for any meeting of Holders of Securities of such series in regard to proof of the holding of Securities of such series and of the appointment of proxies and in regard to the appointment and duties of inspectors of votes, the submission and examination of proxies, certificates and other evidence of the right to vote, and such other matters concerning the conduct of the meeting as it shall deem appropriate. Except as otherwise permitted or required by any such regulations, the holding of Securities shall be proved in the manner specified in Section 104 and the appointment of any proxy shall be proved in the manner specified in Section 104 or by having the signature of the person executing the proxy witnessed or guaranteed by any trust company, bank or banker authorized by Section 104 to certify to the holding of Bearer Securities. Such regulations may provide that written instruments appointing proxies, regular on their face, may be presumed valid and genuine without the proof specified in Section 104 or other proof.

(2) The Trustee shall, by an instrument in writing, appoint a temporary chairman of the meeting, unless the meeting shall have been called by the Issuer or by Holders of Securities as provided in Section 1502(2), in which case the Issuer, the Guarantor or the Holders of Securities of the series calling the meeting, as the case may be, shall in like manner appoint a temporary chairman. A permanent chairman and a permanent secretary of the meeting shall be elected by vote of the Persons entitled to vote a majority in principal amount of the Outstanding Securities of such series represented at the meeting.

(3) At any meeting, each Holder of a Security of such series or proxy shall be entitled to one vote for each \$1,000 principal amount of Securities of such series held or represented by him; provided, however, that no vote shall be cast or counted at any meeting in respect of any Security challenged as not Outstanding and ruled by the chairman of the meeting to be not Outstanding. The chairman of the meeting shall have no right to vote, except as a Holder of a Security of such series or proxy.

(4) Any meeting of Holders of Securities of any series duly called pursuant to Section 1502 at which a quorum is present may be adjourned from time to time by Persons entitled to vote a majority in principal amount of the Outstanding Securities of such series represented at the meeting; and the meeting may be held as so adjourned without further notice.

#### Section 1506. Counting Votes and Recording Action of Meetings.

The vote upon any resolution submitted to any meeting of Holders of Securities of any series shall be by written ballots on which shall be subscribed the signatures of the Holders of Securities of such series or of their representatives by proxy and the principal amounts and serial numbers of the Outstanding Securities of such series held or represented by them. The permanent chairman of the meeting shall appoint two inspectors of votes who shall count all votes cast at the meeting for or against any resolution and who shall make and file with the secretary of the meeting their verified written reports in triplicate of all votes cast at the meeting. A record, at least in triplicate, of the proceedings of each meeting of Holders of Securities of any series shall be prepared by the secretary of the meeting and there shall be attached to said record the original reports of the inspectors of votes on any vote by ballot taken thereat and affidavits by one or more persons having knowledge of the facts setting forth a copy of the notice of the meeting and showing that said notice was given as provided in Section 1502 and, if applicable, Section 1504. Each copy shall be signed and verified by the

affidavits of the permanent chairman and secretary of the meeting and one such copy shall be delivered to the Issuer and the Guarantor, and another to the Trustee to be preserved by the Trustee, the latter to have attached thereto the ballots voted at the meeting. Any record so signed and verified shall be conclusive evidence of the matters therein stated.

ARTICLE SIXTEEN

Guarantee

Section 1601. Guarantee.

The Guarantee set forth in this Article Sixteen shall only be in effect with respect to Securities of a series to the extent such Guarantee is made applicable to such series in accordance with Section 301. The Guarantor hereby unconditionally guarantees to each Holder of a Guaranteed Security authenticated and delivered by the Trustee the due and punctual payment of the principal of, any premium and interest on, and any Additional Amounts with respect to such Guaranteed Security, whether at maturity, by acceleration, redemption, repayment or otherwise, in accordance with the terms of such Security and of this Indenture. In case of the failure of the Issuer punctually to pay any such principal, premium, interest or Additional Amounts, the Guarantor hereby agrees to cause any such payment to be made punctually when and as the same shall become due and payable, whether at maturity, upon acceleration, redemption, repayment or otherwise, and as if such payment were made by the Issuer.

The Guarantor hereby agrees that its obligations hereunder shall be as principal and not merely as surety, and shall be absolute, irrevocable and unconditional, irrespective of, and shall be unaffected by, any invalidity, irregularity or unenforceability of any Guaranteed Security or this Indenture, any failure to enforce the provisions of any Guaranteed Security or this Indenture, or any waiver, modification, consent or indulgence granted with respect thereto by the Holder of such Guaranteed Security or the Trustee, the recovery of any judgment against the Issuer or any action to enforce the same, or any other circumstances which may otherwise constitute a legal or equitable discharge of a surety or guarantor. The Guarantor hereby waives diligence, presentment, demand of payment, filing of claims with a court in the event of merger, insolvency or bankruptcy of the Issuer, any right to require a proceeding first against the Issuer, protest or notice with respect to any such Guaranteed Security or the Indebtedness evidenced thereby and all demands whatsoever, and covenants that this Guarantee will not be discharged except by payment in full of the principal of, any premium and interest on, and any Additional Amounts required with respect to, the Guaranteed Securities and the complete performance of all other obligations contained in the Guaranteed Securities.

This Guarantee shall continue to be effective or be reinstated, as the case may be, if at any time payment on any Guaranteed Security, in whole or in part, is rescinded or must otherwise be restored to the Issuer or the Guarantor upon the bankruptcy, liquidation or reorganization of the Issuer or otherwise.

The Guarantor shall be subrogated to all rights of the Holder of any Guaranteed Security against the Issuer in respect of any amounts paid to such Holder by the Guarantor pursuant to the provisions of this Guarantee; provided, however, that the Guarantor shall not be entitled to enforce, or to receive any payments arising out of or based upon, such right of subrogation until the principal of, any premium and interest on, and any Additional Amounts required with respect to, all Guaranteed Securities shall have been paid in full.

\* \* \* \* \*

This instrument may be executed in any number of counterparts, each of which so executed shall be deemed to be an original, but all such counterparts shall together constitute but one and the same instrument.

IN WITNESS WHEREOF, the parties hereto have caused this Indenture to be duly executed, and their respective corporate seals to be hereunto affixed, all as of the day and year first above written.

Reckson Operating Partnership, L.P.  
By: Reckson Associates Realty Corp.

By \_\_\_\_\_  
Name:  
Title:

Attest:  
  
\_\_\_\_\_  
Name:  
Title:

Reckson Associates Realty Corp.,  
as Guarantor

By \_\_\_\_\_  
Name:  
Title:

Attest:  
  
\_\_\_\_\_  
Name:  
Title:

[SEAL]



Brown & Wood LLP  
One World Trade Center  
New York, New York 10048

November 12, 1998

Reckson Associates Realty Corp.  
Reckson Operating Partnership, L.P.  
225 Broadhollow Road  
Melville, New York 11747

Ladies and Gentlemen:

This opinion is furnished in connection with the Registration Statement on Form S-3 filed with the Securities and Exchange Commission under the Securities Act of 1933, as amended (the "Securities Act"), relating to the registration of Debt Securities of Reckson Operating Partnership, L.P., a Delaware limited partnership (the "Operating Partnership"), in an aggregate initial public offering price not to exceed \$260,000,000 (the "Debt Securities"). The Debt Securities may be fully and unconditionally guaranteed (the "Guarantees") under certain circumstances by Reckson Associates Realty Corp., a Maryland corporation (the "Company"). The Registration Statement provides that the Debt Securities may be issued in one or more series, in amounts, at prices and on terms to be set forth in one or more prospectus supplements to the prospectus contained in the Registration Statement (collectively, the "Prospectus") and, if issued, will be issued under an indenture in the form attached as an Exhibit to the Registration Statement (the "Indenture").

In connection with rendering this opinion, we have examined the Certificate of Limited Partnership and the Amended and Restated Agreement of Limited Partnership, as amended, of the Operating Partnership and the Articles of Incorporation and the Bylaws, as amended, of the Company; records of corporate proceedings of the Company; the Registration Statement; and such other certificates, receipts, records and documents as we considered necessary for the purposes of this opinion.

Based upon the foregoing, we are of the opinion that the Debt Securities have been duly authorized by all necessary partnership action of the Operating Partnership and the Guarantees have been duly authorized by all necessary corporate action of the Company, and when (i) the applicable provisions of the Securities Act and such state "blue sky" or securities laws as may be applicable have been complied with, (ii) the Operating Partnership, the Company and the trustee have duly executed and delivered the Indenture and (iii) the final terms of the Debt Securities and, if applicable, the Guarantees have been duly established and approved and have been duly executed, authenticated (in the case of the Debt Securities) and delivered against consideration therefor as contemplated in the Registration Statement, such Debt Securities and Guarantees will constitute valid and legally binding obligations of the Operating Partnership and the Company, respectively, and registered holders of such Debt Securities will be entitled to the benefits of the Indenture; provided, however, that the foregoing opinion is subject, as to enforcement, to (i) bankruptcy, insolvency, reorganization, moratorium or other similar laws relating to or affecting the enforcement of creditors' rights generally, (ii) general principles of equity (regardless of whether enforcement is considered in a proceeding in equity or at law) and (iii) provisions of law that require a judgment for money damages rendered by a court in the United States of America be expressed only in U.S. dollars.

We are attorneys admitted to practice in the State of New York. We express no opinion concerning the laws of any jurisdiction other than the federal laws of the United States of America, the Revised Uniform Limited Partnership Act of the State of Delaware, the laws of the State of Maryland and the laws of the State of New York.

We hereby consent to the filing of this opinion as an exhibit to the Registration Statement and the reference to our firm under the caption "Legal Matters" in the Prospectus.

Very truly yours,

/s/ Brown & Wood LLP

Brown & Wood LLP  
One World Trade Center  
New York, New York 10048

November 12, 1998

Reckson Associates Realty Corp.  
Reckson Operating Partnership, L.P.  
225 Broadhollow Road  
Melville, New York 11747

Re: \$260,000,000 Aggregate Principal Amount  
of Debt Securities of Reckson Operating  
Partnership, L.P. and Related Guarantees of  
Reckson Associates Realty Corp.  
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Ladies and Gentlemen:

You have requested our opinion concerning certain federal income tax matters with respect to Reckson Associates Realty Corp. (the "Company") in connection with the Form S-3 Registration Statement of the Company and Reckson Operating Partnership, L.P. (the "Operating Partnership") to be filed by the Company and the Operating Partnership with the Securities and Exchange Commission on or about November 10, 1998 (the "Registration Statement").

This opinion is based, in part, upon various assumptions and representations, including representations made by the Company as to factual matters set forth in the Registration Statement, in registration statements on Form S-11 and Form S-3 previously filed by the Company with the Securities and Exchange Commission and in a letter delivered to us by the Company today. This opinion is also based upon the Internal Revenue Code of 1986, as amended (the "Code"), the Treasury Regulations promulgated thereunder and existing administrative and judicial interpretations thereof, all as they exist at the date of this interpretations are subject to change, in some circumstances with retroactive effect. Any changes to the foregoing authorities might result in modifications of our opinions contained herein.

Based on the foregoing, we are of the opinion that, commencing with the Company's taxable year ended December 31, 1995, the Company has been organized in conformity with the requirements for qualification as a real estate investment trust (a "REIT") under the Code, and the proposed method of operating of the Company will enable the Company to meet the requirements for qualification and taxation as a REIT.

We express no opinion with respect to the transactions described herein and in the Registration Statement other than those expressly set forth herein. Furthermore, the Company's qualification as a REIT will depend upon the Company's meeting, in its actual operations, the applicable asset composition, source of income, shareholder diversification, distribution, recordkeeping and other requirements of the Code and Treasury Regulations necessary for a corporation to qualify as a REIT. We will not review these operations and no assurance can be given that the actual operations of the Company and its affiliates will meet these requirements or the representations made to us with respect thereto.

This opinion is furnished to you solely for your use in connection with the Registration Statement. We hereby consent to the filing of this opinion as Exhibit 8 to the Registration Statement and to the use of our name in connection with the material discussed therein under the caption "Federal Income Tax Considerations."

Very truly yours,

/s/ Brown & Wood LLP

## EXHIBIT 12.1

Reckson Associates Realty Corp.  
Ratios of Earnings to Combined Fixed Charges

The following table sets forth the calculation of the Company's consolidated ratios of earnings to fixed charges for the periods shown (in Thousands):

Description	For the Period	1997	1996	For the Period	For the Period	1994	1993
	from January 1, 1998 To June 30, 1998			from June 3, 1995 to December 31, 1995	from January 1, 1995 to June 2, 1995		
Interest	\$23,236	\$23,936	\$13,331	\$5,331	\$7,622	\$17,426	\$27,454
Rent Expense	634	952	830	434	176	375	771
Amortization of Debt Issuance Costs	757	797	525	400	195	564	489
	24,627	25,685	14,686	6,165	7,993	18,365	28,714
Income from Continuing Operations before Minority Interest and Fixed Charges	\$54,248	\$71,175	\$39,876	\$16,719	\$8,187	\$17,872	\$18,609
Ratio of Earnings to Fixed Charges	2.20	2.77	2.72	2.71	1.02	0.97	0.65

## EXHIBIT 12.2

The following table sets forth the calculation of the Company's consolidated Ratios of Earnings to fixed charges and preferred dividends for the periods shown (in thousands)

Description	For the six months ended June 30, 1998 -----
Interest	\$ 23,236
Rent Expense	634
Amortization of debt issuance costs	757
Preferred dividends	4,168
	\$ 28,795 =====
Income from continuing operations before minority interests, fixed charges & preferred dividends	\$ 58,416 =====
Ratio of Earnings to fixed charges and preferred dividends	2.03 =====

EXHIBIT 12.3

Reckson Operating Partnership, L.P.  
 Ratios of Earnings to Combined Fixed Charges

The following table sets forth the calculation of the Operating Partnership's consolidated ratios of earnings to fixed charges for the periods shown (in Thousands):

Description	For the Period from January 1, 1998 To June 30, 1998	1997	1996	For the Period from June 3, 1995 to December 31, 1995	For the Period from January 1, 1995 to June 2, 1995	1994	1993
Interest	\$23,236	\$23,936	\$13,331	\$5,331	\$7,622	\$17,426	\$27,454
Rent Expense	634	952	830	434	176	375	771
Amortization of Debt Issuance Costs	757	797	525	400	195	564	489
	24,627	25,685	14,686	6,165	7,993	18,365	28,714
Income from Continuing Operations before Minority Interest and Fixed Charges	\$54,678	\$71,394	\$39,781	\$16,728	\$8,187	\$17,872	\$18,609
Ratio of Earnings to Fixed Charges	2.22	2.78	2.71	2.71	1.02	0.97	0.65



## EXHIBIT 12.4

The following table sets forth the calculation of the Operating Partnership's consolidated Ratios of Earnings to fixed charges and preferred dividends for the periods shown (in thousands)

Description	For the six months ended June 30, 1998 -----
Interest	\$ 23,236
Rent Expense	634
Amortization of debt issuance costs	757
Preferred dividends	4,168 -----
	28,795 =====
Income from continuing operations before minority interests, fixed charges & preferred dividends	\$ 58,846 =====
Ratio of Earnings to fixed charges and preferred dividends	2.04 =====

## CONSENT OF INDEPENDENT ACCOUNTANTS

We consent to the reference to our firm under the caption "Experts" in the Registration Statement (Form S-3) of Reckson Associates Realty Corp. (the "Company") and Reckson Operating Partnership, L.P. (the "Operating Partnership") for the registration of \$744,739,654 of common stock, common stock warrants, preferred stock, depository shares and preferred stock warrants with respect to the Company and \$260,000,000 of debt securities with respect to the Operating Partnership. We also consent to the inclusion of our report herein dated February 13, 1998, with respect to the consolidated financial statements and schedule of the Operating Partnership for the years ended December 31, 1997 and 1996 and for the period June 3, 1995 to December 31, 1995 and the combined financial statements of the Reckson Group for the period January 1, 1995 to June 2, 1995 and to the incorporation by reference of our reports dated (i) February 13, 1998, except for Note 14, as to which the date is February 18, 1998, with respect to the consolidated financial statements and schedule of the Company included in its Annual Report (Form 10-K) for the years ended December 31, 1997 and 1996 and for the period June 3, 1995 to December 31, 1995 and the combined financial statements of the Reckson Group for the period January 1, 1995 to June 2, 1995 filed with the Securities and Exchange Commission, (ii) February 4, 1997, with respect to the combined statement of revenues and certain expenses of the New Jersey Portfolio for the year ended December 31, 1996, included in the Company's Form 8-K filed with the Securities and Exchange Commission on February 19, 1997, (iii) January 16, 1997, with respect to the statement of revenues and certain expenses of the Uniondale Office Property for the year ended December 31, 1996, included in the Company's Form 8-K filed with the Securities and Exchange Commission on February 19, 1997, (iv) January 17, 1997, with respect to the combined statement of revenues and certain expenses of the Hauppauge Portfolio for the year ended December 31, 1996, included in the Company's Form 8-K filed with the Securities and Exchange Commission on February 19, 1997, (v) May 23, 1997 with respect to the statement of revenues and certain expenses of 710 Bridgeport Avenue for the year ended December 31, 1996, included in the Company's Form 8-K filed with the Securities and Exchange Commission on June 12, 1997, (vi) May 16, 1997 with respect to the statement of revenues and certain expenses of the Shorthills Office Center for the year ended December 31, 1996, included in the Company's Form 8-K filed with the Securities and Exchange Commission on June 12, 1997, (vii) July 22, 1997 with respect to the statement of revenues and certain expenses of Garden City Plaza for the year ended December 31, 1996, included in the Company's Form 8-K filed with the Securities and Exchange Commission on September 9, 1997, (viii) February 17, 1998 with respect to the statement of revenues and certain expenses of the Stamford Office Property for the year ended December 31, 1997, included in the Company's Form 8-K filed with the Securities and Exchange Commission on March 24, 1998, (ix) December 17, 1997, with respect to the statement of revenues and certain expenses of the Christiana Office Property, for the year ended June 30, 1997, included in the Company's Form 8-K filed with the Securities and Exchange Commission on February 10, 1998, and (x) March 27, 1998, with respect to the combined statement of revenues and certain expenses of the Cappelli Portfolio, for the year ended December 31, 1997, included in the Company's Form 8-K filed with the Securities and Exchange Commission on April 6, 1998.

Ernst & Young LLP

New York, New York  
November 6, 1998