

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 10-Q

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

FOR THE QUARTERLY PERIOD ENDED SEPTEMBER 30, 2001

COMMISSION FILE NUMBER: 1-13762

RECKSON OPERATING PARTNERSHIP, L. P.
(EXACT NAME OF REGISTRANT AS SPECIFIED IN ITS CHARTER)

DELAWARE 11-3233647

(STATE OTHER JURISDICTION OF INCORPORATION OF ORGANIZATION) (IRS. EMPLOYER IDENTIFICATION NUMBER)

225 BROADHOLLOW ROAD, MELVILLE, NY 11747

(ADDRESS OF PRINCIPAL EXECUTIVE OFFICE) (ZIP CODE)

(631) 694-6900
(REGISTRANT'S TELEPHONE NUMBER INCLUDING AREA CODE)

INDICATE BY CHECK MARK WHETHER THE REGISTRANT (1) HAS FILED ALL REPORTS
REQUIRED TO BE FILED BY SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF
1934 DURING THE PRECEDING 12 MONTHS (OR FOR SUCH SHORTER PERIOD THAT THE
REGISTRANT WAS REQUIRED TO FILE SUCH REPORTS) YES X NO___, AND (2) HAS BEEN
SUBJECT TO SUCH FILING REQUIREMENTS FOR THE PAST 90 DAYS. YES X NO___.

RECKSON OPERATING PARTNERSHIP, L.P.
QUARTERLY REPORT
FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2001

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PART I - FINANCIAL INFORMATION
ITEM 1 - FINANCIAL STATEMENTS

RECKSON OPERATING PARTNERSHIP, L. P.
CONSOLIDATED BALANCE SHEETS
(DOLLARS IN THOUSANDS EXCEPT UNIT AMOUNTS)

	September 30, 2001 (unaudited)	December 31, 2000
ASSETS		
Commercial real estate properties, at cost		
Land.....	\$ 389,186	\$ 396,482
Buildings and improvements.....	2,281,906	2,219,448
Developments in progress:		
Land.....	68,734	60,918
Development costs.....	74,198	93,759
Furniture, fixtures and equipment.....	7,418	7,138
	2,821,442	2,777,745
Less accumulated depreciation.....	(346,315)	(288,479)
	2,475,127	2,489,266
Investments in real estate joint ventures.....	5,663	5,348
Investment in mortgage notes and notes receivable.....	55,721	58,220
Cash and cash equivalents.....	37,675	16,624
Tenant receivables.....	10,065	11,511
Investments in service companies and affiliate loans and joint ventures....	85,184	218,779
Deferred rents receivable.....	96,773	67,930
Prepaid expenses and other assets.....	31,890	68,759
Contract and land deposits and pre-acquisition costs.....	3,481	1,676
Deferred lease and loan costs	63,622	61,681
TOTAL ASSETS.....	\$ 2,865,201	\$ 2,999,794
LIABILITIES		
Mortgage notes payable.....	\$ 762,526	\$ 728,971
Unsecured credit facility.....	246,600	216,600
Senior unsecured notes.....	449,443	449,385
Accrued expenses and other liabilities.....	71,353	93,520
Distributions payable.....	32,952	28,801
Total Liabilities.....	1,562,874	1,517,277
Commitments and other comments.....	--	--
Minority interests' in consolidated partnerships.....	140,845	226,350
PARTNERS' CAPITAL		
Preferred Capital, 11,222,965 and 11,234,518 units outstanding, respectively.....	301,573	313,126
General Partners' Capital:		
Class A common units, 49,806,885 and 45,352,286 units outstanding, respectively.....	546,206	575,570
Class B common units, 10,283,513 units outstanding.....	230,563	270,118
Limited Partners' Capital:		
Class A common units, 7,638,043 and 7,694,642 units outstanding, respectively.....	83,140	97,353
Total Partners' Capital.....	1,161,482	1,256,167
TOTAL LIABILITIES AND PARTNERS' CAPITAL.....	\$ 2,865,201	\$ 2,999,794

(see accompanying notes to financial statements)

RECKSON OPERATING PARTNERSHIP, L. P.
CONSOLIDATED STATEMENTS OF OPERATIONS
(UNAUDITED AND IN THOUSANDS, EXCEPT UNIT DATA)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2001	2000	2001	2000
REVENUES:				
Base rents.....	\$ 111,394	\$ 100,854	\$ 330,072	\$ 291,353
Tenant escalations and reimbursements.....	15,328	14,900	45,438	40,730
Equity in earnings of real estate joint ventures and service companies.....	505	706	1,704	3,893
Interest income on mortgage notes and notes receivable.....	1,584	1,901	4,651	6,377
Gain on sales of real estate.....	972	15,206	972	21,868
Investment and other income.....	3,244	6,727	13,448	19,178
Total Revenues.....	133,027	140,294	396,285	383,399
EXPENSES:				
Property operating expenses.....	44,231	41,255	126,099	115,778
Marketing, general and administrative.....	6,703	6,097	20,540	18,746
Interest.....	23,505	24,651	70,693	72,667
Depreciation and amortization.....	26,528	24,083	77,221	67,520
Total Expenses.....	100,967	96,086	294,553	274,711
Income before distributions to preferred unit holders, minority interests, valuation reserves on investments in affiliate loans and joint ventures and extraordinary loss..	32,060	44,208	101,732	108,688
Minority partners' interests in consolidated partnerships....	(3,065)	(1,874)	(12,885)	(5,773)
Valuation reserves on investments in affiliate loans and joint ventures.....	(163,000)	--	(163,000)	--
Income (loss) before extraordinary loss and distributions to preferred unitholders.....	(134,005)	42,334	(74,153)	102,915
Extraordinary loss on extinguishment of debts.....	(2,898)	(1,571)	(2,898)	(1,571)
Net income (loss).....	(136,903)	40,763	(77,051)	101,344
Preferred unit distributions.....	(5,996)	(6,085)	(18,009)	(21,927)
Net income (loss) available to common unit holders.....	\$ (142,899)	\$ 34,678	\$ (95,060)	\$ 79,417
Net Income (loss) available to:				
Class A common units.....	\$ (112,159)	\$ 26,628	\$ (74,859)	\$ 60,497
Class B common units.....	(30,740)	8,050	(20,201)	18,920
Total.....	\$ (142,899)	\$ 34,678	\$ (95,060)	\$ 79,417
Net income (loss) per weighted average common units:				
Class A common unit before extraordinary loss.....	\$ (1.92)	\$.52	\$ (1.32)	\$ 1.23
Extraordinary loss per Class A common unit.....	(.04)	(.02)	(.04)	(.02)
Net income (loss) per weighted average Class A common unit.....	\$ (1.96)	\$.50	\$ (1.36)	\$ 1.21
Class B common unit before extraordinary loss.....	\$ (2.93)	\$.82	\$ (1.90)	\$ 1.88
Extraordinary loss per Class B common unit.....	(.06)	(.04)	(.06)	(.04)
Net income (loss) per weighted average Class B common unit.....	\$ (2.99)	\$.78	\$ (1.96)	\$ 1.84
Weighted average common units outstanding:				
Class A common units.....	57,368,000	52,874,000	55,192,000	50,008,000
Class B common units.....	10,284,000	10,284,000	10,284,000	10,284,000

(see accompanying notes to financial statements)

RECKSON OPERATING PARTNERSHIP, L. P.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED AND IN THOUSANDS)

	NINE MONTHS ENDED SEPTEMBER 30,	
	2001	2000
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income (loss).....	\$ (77,051)	\$ 101,344
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation and amortization.....	77,221	67,520
Extraordinary loss on extinguishment of debts.....	2,898	1,571
Valuation reserves on investments in affiliate loans and joint ventures....	163,000	--
Gain on sales of real estate.....	(972)	(21,868)
Minority partners' interests in consolidated partnerships.....	12,885	5,773
Equity in earnings of real estate joint ventures and service companies.....	(1,704)	(3,893)
Changes in operating assets and liabilities:		
Prepaid expenses and other assets.....	13,166	(7,455)
Tenant receivables.....	1,446	438
Deferred rents receivable.....	(28,843)	(21,778)
Real estate tax escrows.....	(2,037)	2,112
Accrued expenses and other liabilities.....	(20,895)	(2,350)
Net cash provided by operating activities.....	139,114	121,414
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of commercial real estate properties.....	--	(184,613)
Increase in contract deposits and pre-acquisition costs.....	(2,897)	(11,893)
Proceeds from mortgage note receivable repayments.....	2,949	5,213
Proceeds from sales of real estate and mortgage redemption.....	73,550	42,594
Additions to commercial real estate properties.....	(121,703)	(32,772)
Additions to developments in progress.....	(3,606)	(11,668)
Payment of leasing costs.....	(6,264)	(15,465)
Additions to furniture, fixtures and equipment.....	(324)	(707)
Distribution from a real estate joint venture.....	--	312
Investments in affiliate joint ventures.....	(25,056)	(7,450)
Net cash used in investing activities.....	(83,351)	(216,449)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Principal payments on secured borrowings.....	(291,445)	(25,518)
Proceeds from redemption of KTR preferred securities.....	35,700	19,903
Payment of loan costs.....	(5,944)	(7,643)
Increase in investments in affiliate loans and service companies.....	(13,878)	(6,729)
Proceeds from secured borrowings.....	325,000	97,163
Proceeds from of unsecured credit facility.....	128,000	659,600
Repayment of unsecured credit facility and term loan.....	(98,000)	(669,600)
Contributions by minority partners in consolidated partnerships.....	--	135,975
Contributions.....	1,790	3,999
Distributions	(102,545)	(95,662)
Distributions to minority partners in consolidated partnerships.....	(13,390)	(6,893)
Net cash provided by (used in) financing activities.....	(34,712)	104,595
Net increase in cash and cash equivalents.....	21,051	9,560
Cash and cash equivalents at beginning of period.....	16,624	21,122
Cash and cash equivalents at end of period.....	\$ 37,675	\$ 30,682

(see accompanying notes to financial statements)

RECKSON OPERATING PARTNERSHIP, L. P.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2001
(UNAUDITED)

1. ORGANIZATION AND FORMATION OF THE OPERATING PARTNERSHIP

Reckson Operating Partnership, L. P. (the "Operating Partnership") commenced operations on June 2, 1995. 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 common units of limited partnership interest in the Operating Partnership ("Units") to the continuing investors and assumed certain indebtedness in exchange for interests in certain property partnerships, fee simple and leasehold interests in properties and development land, certain other business assets and 100% of the non-voting preferred stock of the management and construction companies.

During July 1998, the Company formed Metropolitan Partners, LLC ("Metropolitan") for the purpose of acquiring Tower Realty Trust, Inc. ("Tower"). On May 24, 1999 the Company completed the merger with Tower and acquired three Class A office properties located in New York City totaling approximately 1.6 million square feet and one Class A office property located on Long Island totaling approximately 101,000 square feet. In addition, pursuant to the merger, the Company also acquired certain office properties, a property under development and land located outside the Tri-State Area. All of the assets acquired in the merger located outside the Tri-State Area, other than a 357,000 square foot office property located in Orlando, Florida, have been sold.

2. BASIS OF PRESENTATION

The accompanying consolidated financial statements include the consolidated financial position of the Operating Partnership and its subsidiaries at September 30, 2001 and December 31, 2000 and the results of their operations for the three and nine months ended September 30, 2001 and 2000, respectively and, their cash flows for the nine months ended September 30, 2001 and 2000, respectively. The Operating Partnership's investments in Omni Partners, L. P. ("Omni"), the Tri-State JV and certain joint venture properties are reflected in the accompanying financial statements on a consolidated basis with a reduction for the minority partners' interest. The operating results of the service companies currently conducted by Reckson Management Group, Inc., RANY Management Group, Inc., and Reckson Construction Group, Inc., are reflected in the accompanying financial statements on the equity method of accounting. The Operating Partnership also invests in real estate joint ventures where it may own less than a controlling interest, such investments are also reflected in the accompanying financial statements on the equity method of accounting. All significant intercompany balances and transactions have been eliminated in the consolidated financial statements.

The minority interests at September 30, 2001 represent a 49% interest in the Tri-State JV and a 40% interest in Omni.

The accompanying interim unaudited financial statements have been prepared by the Operating Partnership's management pursuant to the rules and regulations of the Securities and Exchange Commission ("SEC"). Certain information and footnote disclosure normally included in the financial statements prepared in accordance with accounting principles generally accepted in the United States ("GAAP") may have been condensed or omitted pursuant to such rules and regulations, although management believes that the disclosures are adequate to make the information presented not misleading. The unaudited financial statements as of September 30, 2001 and for the three and nine month periods ended September 30, 2001 and 2000 include, in the opinion of management, all adjustments, consisting of normal recurring adjustments, necessary to present fairly the financial information set forth herein. The results of operations for the interim periods are not necessarily indicative of the results that may be expected for the year ending December 31, 2001. These financial statements should be read in conjunction with the Operating Partnership's audited financial statements and notes thereto included in the Operating Partnership's Form 10-K for the year ended December 31, 2000.

Financial Accounting Standards Board's ("FASB") Statement No. 133, "Accounting for Derivative Instruments and Hedging Activities," ("SFAS 133") which became effective January 1, 2001 requires the Operating Partnership to recognize all derivatives on the balance sheet at fair value. Derivatives that are not hedges must be adjusted to fair value through income. If a derivative is a hedge, depending on the nature of the hedge, changes in the fair value of the derivative will either be offset against the change in fair value of the hedged asset, liability, or firm commitment through earnings, or recognized in accumulated other comprehensive income ("OCI") until the hedged item is recognized in earnings. The ineffective portion of a derivative's change in fair value will be immediately recognized in earnings. As of January 1, 2001, the fair value of the Operating Partnership's derivatives equaled their fair value and as a result no cumulative effect changes were recorded. Additionally, as of June 30, 2001, the fair value of the Operating Partnership's derivatives equaled approximately \$3.7 million and was reflected in other assets and OCI on the Operating Partnership's balance sheet. On July 18, 2001, the mortgage note payable which these derivatives relate to was funded (see Note 3) and their fair value at that time was approximately \$676,000 less than their carrying value. This amount is being amortized to interest expense over the term of the mortgage note to which it relates.

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

3. MORTGAGE NOTES PAYABLE

As of September 30, 2001, the Operating Partnership had approximately \$762.5 million of fixed rate mortgage notes which mature at various times between 2002 and 2027. The notes are secured by 23 properties and have a weighted average interest rate of approximately 7.3%.

On June 1, 2001, the Operating Partnership refinanced a \$70 million variable rate mortgage note, which secured the property located at 1350 Avenue of the Americas, with a five year, \$75 million fixed rate mortgage note which bears interest at 6.52% per annum. Net proceeds of approximately \$3.4 million were used for working capital purposes.

On July 18, 2001, the Operating Partnership refinanced a \$200 million variable rate mortgage note, which secured the property located at 919 Third Avenue, with a ten year, \$250 million fixed rate mortgage note which bears interest at 6.867% per annum. As a result, certain deferred loan costs incurred in connection with the existing mortgage note were written off. Such amount is reflected as an extraordinary loss in the accompanying consolidated statements of operations. Net proceeds of approximately \$47 million were used primarily to repay maturing fixed rate debt and the Operating Partnership's unsecured credit facility.

On July 24, 2001, the Operating Partnership repaid a mortgage note in the amount of approximately \$15.5 million, which was secured by the property located at 50 Charles Lindbergh Blvd., Mitchel Field, NY.

On October 30, 2001, the Operating Partnership repaid a mortgage note in the amount of approximately \$6.4 million, which was secured by the property located at 200 Broadhollow Road, Melville, NY.

4. SENIOR UNSECURED NOTES

As of September 30, 2001, the Operating Partnership had outstanding approximately \$449.4 million (net of issuance discounts) of senior unsecured notes (the "Senior Unsecured Notes"). The following table sets forth the Operating Partnership's Senior Unsecured Notes and other related disclosures (dollars in thousands):

ISSUANCE	FACE AMOUNT	COUPON RATE	TERM	MATURITY
August 27, 1997	\$ 150,000	7.20%	10 years	August 28, 2007
March 26, 1999	\$ 100,000	7.40%	5 years	March 15, 2004
March 26, 1999	\$ 200,000	7.75%	10 years	March 15, 2009

Interest on the Senior Unsecured Notes is payable semiannually with principal and unpaid interest due on the scheduled maturity dates. In addition, the Senior Unsecured Notes issued on March 26, 1999 were issued at an aggregate discount of \$738,000. Such discount is being amortized over the term of the Senior Unsecured Notes to which they relate.

5. UNSECURED CREDIT FACILITY

As of September 30, 2001, the Operating Partnership had a three year \$575 million unsecured revolving credit facility (the "Credit Facility") from The Chase Manhattan Bank, as administrative agent, UBS Warburg LLC as syndication agent and Deutsche Bank as documentation agent. The Credit Facility matures in September 2003 and borrowings under the Credit Facility are currently priced off LIBOR plus 105 basis points.

The Operating Partnership utilizes the Credit Facility primarily to finance real estate investments, fund its real estate development activities and for working capital purposes. At September 30, 2001, the Operating Partnership had availability under the Credit Facility to borrow an additional \$328.4 million (of which, approximately \$38.8 million has been allocated for outstanding undrawn letters of credit).

6. COMMERCIAL REAL ESTATE INVESTMENTS

As of September 30, 2001, the Operating Partnership owned and operated 78 office properties (inclusive of ten office properties owned through joint ventures) comprising approximately 13.9 million square feet, 103 industrial properties comprising approximately 6.8 million square feet and two retail properties comprising approximately 20,000 square feet located in the Tri-State Area. The Operating Partnership also owns a 357,000 square foot office building located in Orlando, Florida and approximately 271 acres of land in 12 separate parcels of which the Operating Partnership can develop approximately 2.4 million square feet of office space and approximately 224,000 square feet of industrial space. The Operating Partnership also has invested approximately \$17.0 million in a note receivable secured by a partnership interest in Omni Partners, L.P., owner of the Omni, a 575,000 square foot Class A office property located in Uniondale, New York and \$36.5 million under three notes which are secured by a minority partners' preferred interest in the Operating Partnership.

On September 28, 2000, the Operating Partnership formed the Tri-State JV with Teachers Insurance and Annuity Association and contributed eight Class A suburban office properties aggregating approximately 1.5 million square feet to the Tri-State JV in exchange for approximately \$136 million and a 51% majority ownership interest in the Tri-State JV.

During the three months ended September 30, 2001, the Operating Partnership sold four office properties aggregating approximately 580,000 square feet and one 26,000 square foot industrial property for approximately \$73.6 million. In addition, the Operating Partnership sold its preferred interest in Keystone Property Trust for \$35.7 million. As a result of these sales, the Operating Partnership realized a net gain of approximately \$972,000. Net proceeds from the sales were used primarily to repay borrowings under the Credit Facility.

7. PARTNERS' CAPITAL

During the nine months ended September 30, 2001, approximately 11,553 preferred units of the limited partnership interest, with a liquidation preference value of approximately \$11.6 million, were exchanged for 456,351 Units at an average price of \$25.32 per Unit. In addition, the Company increased its general partner interest in the Operating Partnership by acquiring 509,545 outstanding Units from certain limited partners in exchange for an equal number of shares of its Class A common stock.

The Operating Partnership currently has issued and outstanding 10,283,513 Class B common units, all of which are held by the Company. The Class B common units currently receive an annual distribution of \$2.5968 per unit, which is subject to adjustment annually.

The Class B common units are exchangeable at any time, at the option of the holder, into an equal number of Class A common units subject to customary antidilution adjustments. The Operating Partnership, at its option, may redeem any or all of the Class B common units in exchange for an equal number of Class A common units at any time following November 23, 2003.

Metropolitan is 100% owned by the Company; a minority partner owned an \$85 million preferred equity investment in Metropolitan which accrued distributions at a rate of 7.5% per annum for a two-year period (May 30, 1999 through May 30, 2001). On May 31, 2001, the minority partner, at its election, converted its preferred equity investment into 3,453,881 shares of the Company's Class A common stock based on a conversion price of \$24.61 per share. As a result, the Operating Partnership issued 3,453,881 Class A common units to the Company.

During September 2001, the Operating Partnership declared the following distributions:

SECURITY -----	DISTRIBUTION -----	RECORD DATE -----	PAYMENT DATE -----	THREE MONTHS ENDED -----	ANNUALIZED DISTRIBUTION -----
Class A common unit	\$.4246	October 5, 2001	October 17, 2001	September 30, 2001	\$1.6984
Class B common unit	\$.6492	October 12, 2001	October 31, 2001	October 31, 2001	\$2.5968
Series A preferred unit	\$.4766	October 12, 2001	October 31, 2001	October 31, 2001	\$1.9063
Series E preferred unit	\$.553125	October 12, 2001	October 31, 2001	October 31, 2001	\$2.2125

As of September 30, 2001 in conjunction with the Company's common stock buy back program, the Operating Partnership had purchased and retired 1,410,804 Class B common units at an average price of \$21.48 per Class B common unit and 16,704 Class A common units at an average price of \$22.01 per Class A common unit for an aggregate purchase price of approximately \$30.7 million.

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

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

8. SUPPLEMENTAL DISCLOSURES OF CASH FLOWS INFORMATION (in thousands)

	Nine Months Ended September 30,	
	2001	2000
Cash paid during the period for interest.....	\$ 87,932	\$ 88,290
Interest capitalized during the period	\$ 7,764	\$ 8,447

9. SEGMENT DISCLOSURE

The Operating Partnership's portfolio consists of Class A office properties located within the New York City metropolitan area and Class A suburban office and industrial properties located and operated within the Tri-State Area (the "Core Portfolio"). In addition the Operating Partnership's portfolio also includes one office property located in Orlando, Florida. The Operating Partnership has managing directors who report directly to the Co-Presidents and Chief Financial Officer of the Company who have been identified as the Chief Operating Decision Makers because of their final authority over resource allocation decisions and performance assessment.

In addition, the Operating Partnership does not consider (i) interest incurred on its Credit Facility, term loan and Senior Unsecured Notes and (ii) the operating performance of the office property located in Orlando, Florida as part of its Core Portfolio's property operating performance.

The following table sets forth the components of the Operating Partnership's revenues and expenses and other related disclosures for the three months ended September 30, 2001 and 2000 (in thousands):

	THREE MONTHS ENDED					
	SEPTEMBER 30, 2001			SEPTEMBER 30, 2000		
	CORE PORTFOLIO	OTHER	CONSOLIDATED TOTALS	CORE PORTFOLIO	OTHER	CONSOLIDATED TOTALS
REVENUES:						
Base rents, tenant escalations and reimbursements	\$ 124,544	\$ 2,178	\$ 126,722	\$ 113,546	\$ 2,208	\$ 115,754
Equity in earnings of real estate joint ventures and service companies	--	505	505	--	706	706
Other income (loss)	6,714	(914)	5,800	191	23,643	23,834
Total Revenues	131,258	1,769	133,027	113,737	26,557	140,294
EXPENSES:						
Property operating expenses	43,320	911	44,231	40,799	589	41,388
Marketing, general and administrative ...	5,583	1,120	6,703	5,272	692	5,964
Interest	13,033	10,472	23,505	9,623	15,028	24,651
Depreciation and amortization	24,393	2,135	26,528	21,282	2,801	24,083
Total Expenses	86,329	14,638	100,967	76,976	19,110	96,086
Income (loss) before distributions to preferred unitholders, minority interests, valuation reserves and extraordinary loss	\$ 44,929	\$ (12,869)	\$ 32,060	\$ 36,761	\$ 7,447	\$ 44,208
Total Assets	\$2,631,077	\$ 234,124	\$2,865,201	\$2,547,701	\$ 397,523	\$2,945,224

The following table sets forth the components of the Operating Partnership's revenues and expenses and other related disclosures for the nine months ended September 30, 2001 and 2000 (in thousands):

NINE MONTHS ENDED						
<div>-----</div>						
<div>SEPTEMBER 30, 2001</div>						
<div>SEPTEMBER 30, 2000</div>						
<div>-----</div>						
	CORE PORTFOLIO	OTHER	CONSOLIDATED TOTALS	CORE PORTFOLIO	OTHER	CONSOLIDATED TOTALS
REVENUES:						
Base rents, tenant escalations and reimbursements.....	\$ 368,296	\$ 7,214	\$ 375,510	\$ 325,218	\$ 6,865	\$ 332,083
Equity in earnings of real estate joint ventures and service companies.....	--	1,704	1,704	--	3,893	3,893
Other income.....	9,192	9,879	19,071	855	46,568	47,423
Total Revenues.....	377,488	18,797	396,285	326,073	57,326	383,399
EXPENSES:						
Property operating expenses.....	123,754	2,345	126,099	114,368	1,815	116,183
Marketing, general and administrative.....	15,653	4,887	20,540	15,029	3,312	18,341
Interest.....	38,088	32,605	70,693	28,218	44,449	72,667
Depreciation and amortization.....	71,024	6,197	77,221	60,670	6,850	67,520
Total Expenses.....	248,519	46,034	294,553	218,285	56,426	274,711
Income (loss) before distributions to preferred unitholders, minority interests, valuation reserves and extraordinary loss...	\$ 128,969	\$ (27,237)	\$ 101,732	\$ 107,788	\$ 900	\$ 108,688

10. INVESTMENTS IN AFFILIATE LOANS AND JOINT VENTURES

During 1997, the Company formed FrontLine Capital Group, formerly Reckson Service Industries, Inc., ("FrontLine") and Reckson Strategic Venture Partners, LLC ("RSVP"). RSVP is a real estate venture capital fund which invests primarily in real estate and real estate operating companies generally outside of the Company's core office and industrial focus and whose common equity is held indirectly by FrontLine. In connection with the formation and spin-off of FrontLine, the Operating Partnership established an unsecured credit facility with FrontLine (the "FrontLine Facility") in the amount of \$100 million for FrontLine to use in its investment activities, operations and other general corporate purposes. As of September 30, 2001, the Company had advanced approximately \$93.4 million under the FrontLine Facility. The Operating Partnership also approved the funding of investments of up to \$100 million relating to RSVP (the "RSVP Commitment"), through RSVP-controlled joint ventures (for REIT-qualified investments) or advances made to FrontLine under an unsecured loan facility (the "RSVP Facility") having terms similar to the FrontLine Facility (advances made under the RSVP Facility and the FrontLine Facility hereafter, the "FrontLine Loans"). During March 2001, the Company increased the RSVP Commitment to \$110 million and as of September 30, 2001, approximately \$109.1 million had been funded through the RSVP Commitment, of which \$59.8 million represents investments by the Company in RSVP-controlled (REIT-qualified) joint ventures and \$49.3 million represents loans made to FrontLine under the RSVP Facility. As of September 30, 2001, interest accrued (net of reserves) under the FrontLine Facility and RSVP Facility was approximately \$ 19.6 million.

At June 30, 2001, the Company assessed the recoverability of the FrontLine Loans and reserved approximately \$3.5 million of the interest accrued during the three month period then ended. In addition, the Company formed a committee of its Board of Directors, comprised solely of independent directors, to consider any actions to be taken by the Company in connection with the FrontLine Loans and its investments in joint ventures with RSVP. At September 30, 2001, the Company noted a significant deterioration in FrontLine's operations and financial condition. Based on the Company's assessment of value and recoverability and considering the findings and recommendations of the committee and its financial advisor, the Company has included in its consolidated statements of operations for the three and nine months ended September 30, 2001, a \$163 million valuation reserve charge, inclusive of costs, relating to its investments in the FrontLine Loans and joint ventures with RSVP. The Company has also discontinued the accrual of interest income with respect to the FrontLine Loans.

As a result of the foregoing, the net carrying value of the Company's investments in the FrontLine Loans and joint venture investments with RSVP, inclusive of the Company's share of GAAP equity in earnings on those investments, is approximately \$65.0 million. Such amount has been reflected in investments in service companies and affiliate loans and joint ventures on the accompanying balance sheet.

Both the FrontLine Facility and the RSVP Facility have a term of five years, are unsecured and advances under each are recourse obligations of FrontLine. Notwithstanding the valuation reserve, under the terms of the credit facilities, interest accrues on the FrontLine Loans at a rate equal to the greater of (a) the prime rate plus two percent and (b) 12% per annum, with the rate on amounts that are outstanding for more than one year increasing annually at a rate of four percent of the prior year's rate. In March 2001, the credit facilities were amended to provide that (i) interest is payable only at maturity and (ii) the Company may transfer all or any portion of its rights or obligations under the credit facilities to its affiliates. The Company requested these changes as a result of changes in REIT tax laws.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

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

The Operating Partnership considers certain statements set forth herein to be forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, with respect to the Operating Partnership's expectations for future periods. Certain forward-looking statements, including, without limitation, statements relating to the timing and success of acquisitions and the completion of development or redevelopment of properties, the financing of the Operating Partnership's operations, the ability to lease vacant space and the ability to renew or relet space under expiring leases, involve risks and uncertainties. Although the Operating Partnership believes that the expectations reflected in such forward-looking statements are based on reasonable assumptions, the actual results may differ materially from those set forth in the forward-looking statements and the Operating Partnership can give no assurance that its expectation will be achieved. Among those risks, trends and uncertainties are: the general economic climate, including the conditions affecting industries in which our principal tenants compete; changes in the supply of and demand for office and industrial properties in the New York Tri-State area; changes in interest rate levels; downturns in rental rate levels in our markets and our ability to lease or release space in a timely manner at current or anticipated rental rate levels; the availability of financing to us or our tenants; changes in operating costs, including utility costs; repayment of debt owed to the Operating Partnership by third parties (including FrontLine Capital Group); risks associated with joint ventures; and other risks associated with the development and acquisition of properties, including risks that development may not be completed on schedule, that the tenants will not take occupancy or pay rent, or that development or operating costs may be greater than anticipated. Consequently, such forward-looking statements should be regarded solely as reflections of the Operating Partnership's current operating and development plans and estimates. These plans and estimates are subject to revisions from time to time as additional information becomes available, and actual results may differ from those indicated in the referenced statements.

OVERVIEW AND BACKGROUND

The Operating Partnership, which commenced operations on June 2, 1995, is engaged in the ownership, management, operation, leasing and development of commercial real estate properties, principally office and industrial buildings, and also owns certain undeveloped land located in the New York tri-state area (the "Tri-State Area"). Reckson Associates Realty Corp. (the "Company"), is a self-administered and self-managed Real Estate Investment Trust ("REIT"), and serves as the sole general partner in the Operating Partnership.

As of September 30, 2001, the Operating Partnership owned and operated 78 office properties (inclusive of ten office properties which are owned through joint ventures) comprising approximately 13.9 million square feet, 103 industrial properties comprising approximately 6.8 million square feet and two retail properties comprising approximately 20,000 square feet located in the Tri-State Area. The Operating Partnership also owns a 357,000 square foot office building located in Orlando, Florida and approximately 271 acres of land in 12 separate parcels of which the Operating Partnership can develop approximately 2.4 million square feet of office space and approximately 224,000 square feet of industrial space. The Operating Partnership also has invested approximately \$17.0 million in a note receivable secured by a partnership interest in Omni Partners, L.P., owner of the Omni, a 575,000 square foot Class A office property located in Uniondale, New York and \$36.5 million under three notes which are secured by a minority partners' preferred interest in the Operating Partnership.

During 1997, the Company formed FrontLine Capital Group, formerly Reckson Service Industries, Inc., ("FrontLine") and Reckson Strategic Venture Partners, LLC ("RSVP"). RSVP is a real estate venture capital fund which invests primarily in real estate and real estate operating companies generally outside of the Company's core office and industrial focus and whose common equity is held indirectly by FrontLine. In connection with the formation and spin-off of FrontLine, the Operating Partnership established an unsecured credit facility with FrontLine (the "FrontLine Facility") in the amount of \$100 million for FrontLine to use in its investment activities, operations and other general corporate purposes. As of September 30, 2001, the Company had advanced approximately \$93.4 million under the FrontLine Facility. The Operating Partnership also approved the funding of investments of up to \$100 million relating to RSVP (the "RSVP Commitment"), through RSVP-controlled joint ventures (for REIT-qualified investments) or advances made to FrontLine under an unsecured loan facility (the "RSVP Facility") having terms similar to the FrontLine Facility (advances made under the RSVP Facility and the FrontLine Facility hereafter, the "FrontLine Loans"). During March 2001, the Company increased the RSVP Commitment to \$110 million and as of September 30, 2001, approximately \$109.1 million had been funded through the RSVP Commitment, of which \$59.8 million represents investments by the Company in RSVP-controlled (REIT-qualified) joint ventures and \$49.3 million represents loans made to FrontLine under the RSVP Facility. As of September 30, 2001, interest accrued (net of reserves) under the FrontLine Facility and RSVP Facility was approximately \$ 19.6 million.

At June 30, 2001, the Company assessed the recoverability of the FrontLine Loans and reserved approximately \$3.5 million of the interest accrued during the three month period then ended. In addition, the Company formed a committee of its Board of Directors, comprised solely of independent directors, to consider any actions to be taken by the Company in connection with the FrontLine Loans and its investments in joint ventures with RSVP. At September 30, 2001, the Company noted a significant deterioration in FrontLine's operations and financial condition. Based on the Company's assessment of value and recoverability and considering the findings and recommendations of the committee and its financial advisor, the Company has included in its consolidated statements of operations for the three and nine months ended September 30, 2001, a \$163 million valuation reserve charge, inclusive of costs, relating to its investments in the FrontLine Loans and joint ventures with RSVP. The Company has also discontinued the accrual of interest income with respect to the FrontLine Loans.

As a result of the foregoing, the net carrying value of the Company's investments in the FrontLine Loans and joint venture investments with RSVP, inclusive of the Company's share of GAAP equity in earnings on those investments, is approximately \$65.0 million. Such amount has been reflected in investments in service companies and affiliate loans and joint ventures on the accompanying balance sheet.

Both the FrontLine Facility and the RSVP Facility have a term of five years, are unsecured and advances under each are recourse obligations of FrontLine. Notwithstanding the valuation reserve, under the terms of the credit facilities, interest accrues on the FrontLine Loans at a rate equal to the greater of (a) the prime rate plus two percent and (b) 12% per annum, with the rate on amounts that are outstanding for more than one year increasing annually at a rate of four percent of the prior year's rate. In March 2001, the credit facilities were amended to provide that (i) interest is payable only at maturity and (ii) the Company may transfer all or any portion of its rights or obligations under the credit facilities to its affiliates. The Company requested these changes as a result of changes in REIT tax laws.

During July 1998, the Company formed Metropolitan Partners, LLC ("Metropolitan") for the purpose of acquiring Tower Realty Trust, Inc. ("Tower"). On May 24, 1999 the Company completed the merger with Tower and acquired three Class A office properties located in New York City totaling approximately 1.6 million square feet and one Class A office property located on Long Island totaling approximately 101,000 square feet. In addition, pursuant to the merger, the Company also acquired certain office properties, a property under development and land located outside the Tri-State Area. All of the assets acquired in the merger located outside the Tri-State Area, other than a 357,000 square foot office property located in Orlando, Florida, have been sold.

On September 28, 2000, the Operating Partnership formed a joint venture (the "Tri-State JV") with Teachers Insurance and Annuity Association and contributed eight Class A suburban office properties aggregating approximately 1.5 million square feet to the Tri-State JV in exchange for approximately \$136 million and a 51% majority ownership interest in the Tri-State JV.

The market capitalization of the Operating Partnership at September 30, 2001 was approximately \$3.4 billion. The Operating Partnership's market capitalization is calculated based on the sum of (i) the value of the Operating Partnership's Class A common units and Class B common units (which, for this purpose, is assumed to be the same per unit as the market value of a share of the Company's Class A common stock and Class B common stock), (ii) the liquidation preference values of the Operating Partnership's preferred units, and (iii) the approximately \$1.4 billion (including its share of joint venture debt and net of minority partners' interests share of joint venture debt) of debt outstanding at September 30, 2001. As a result, the Operating Partnership's total debt to total market capitalization ratio at September 30, 2001 equaled approximately 42.4%.

RESULTS OF OPERATIONS

Three months ended September 30, 2001 as compared to the three months ended September 30, 2000.

The Operating Partnership's total revenues decreased by \$7.3 million or 5.2% for the three months ended September 30, 2001 as compared to the 2000 period. Property operating revenues, which include base rents and tenant escalations and reimbursements ("Property Operating Revenues") increased by \$11.0 million or 9.5% for the three months ended September 30, 2001 as compared to the 2000 period. The increase in Property Operating Revenues is primarily attributable to increases in rental rates in our "same store" properties amounting to \$7.9 million. In addition, \$3.9 million of the increase was generated by lease up of newly developed and redeveloped properties. These increases in Property Operating Revenues was offset by \$1.9 million of revenues from properties that were sold during the three months ended September 30, 2001. The Operating Partnership's base rent reflects the positive impact of the straight-line rent adjustment of \$9.7 million for the three months ended September 30, 2001 as compared to \$12.2 million for the 2000 period. Included in the \$9.7 million straight-line rent adjustment is \$5.9 million attributable to 919 Third Avenue as compared to \$8.2 million for the 2000 period. This amount is primarily attributable to the free rent period, which is effective through February 28, 2002, contained in the lease of the largest tenant in the building. Other revenues (excluding Property Operating Revenues) decreased by \$18.2 million or 74.3% for the three months ended September 30, 2001 as compared to the 2000 period. This decrease is primarily attributable to \$15.2 million in gain on sales of real estate recognized in the 2000 period as compared to \$972,000 recognized in the 2001 period. In addition, this decrease includes \$4.5 million of interest income accrued during the 2000 period relating to the FrontLine Loans with no such comparable accrual for the 2001 period.

Property operating expenses, real estate taxes and ground rents ("Property Expenses") increased by \$3.0 million or 7.2% for the three months ended September 30, 2001 as compared to the 2000 period. This increase is primarily due to an increase of \$1.8 million in our "same-store" properties of which \$1.2 million is attributable to an increase in real estate taxes. Additionally, there were increased expenses of \$950,000 due to higher occupancy levels at our developed and redeveloped properties.

Gross Operating Margins (defined as Property Operating Revenues less Property Expenses, taken as a percentage of Property Operating Revenues) for the three months ended September 30, 2001 and 2000 were 65.1% and 64.4%, respectively. The increase in Gross Operating Margins is primarily attributable to an increase in rental rates.

Marketing, general and administrative expenses increased by approximately \$606,000 for the three months ended September 30, 2001 as compared to the 2000 period. The increase was primarily attributable to increased costs related to marketing the Operating Partnership in its Tri-State Area markets and amortization of deferred compensation costs. Marketing, general and administrative expenses, as a percentage of total revenues, excluding gain on sales of real estate, were 5.1% for the three months ended September 30, 2001 as compared to 4.9% for the 2000 period.

Interest expense decreased by approximately \$1.1 million for the three months ended September 30, 2001 as compared to the 2000 period. The decrease was primarily attributable to a decrease in interest expense on the Operating Partnership's variable rate debt due to lower interest rates.

Income (loss) before extraordinary loss and distributions to preferred unitholders decreased by approximately \$176.3 million for the three months ended September 30, 2001 as compared to the 2000 period. The decrease is primarily attributable to the \$163 million valuation reserve on investment in affiliate loans and joint ventures as further described in Overview and Background.

Nine months ended September 30, 2001 as compared to the nine months ended September 30, 2000.

The Operating Partnership's total revenues increased by \$12.9 million or 3.4% for the nine months ended September 30, 2001 as compared to the 2000 period. Property Operating Revenues increased by \$43.4 million or 13.1% for the nine months ended September 30, 2001 as compared to the 2000 period. The increase in Property Operating Revenues is primarily attributable to increases in rental rates in our "same store" properties amounting to \$20.1 million. In addition, \$10.1 million of the increase was generated by lease up of newly developed and redeveloped properties. The Operating Partnership's base rent reflects the positive impact of the straight-line rent adjustment of \$31.7 million for the nine months ended September 30, 2001 as compared to \$25.0 million for the 2000 period. Included in the \$31.7 million straight-line rent adjustment is \$20.3 million attributable to 919 Third Avenue, as compared to \$13.6 million for the 2000 period. This amount is primarily attributable to the free rent period, which is effective through February 28, 2002 contained in the lease of the largest tenant in the building. Other revenues (excluding Property Operating Revenues) decreased by \$30.5 million or 59.5% for the nine months ended September 30, 2001 as compared to the 2000 period. This decrease is primarily attributable to \$21.9 million in gain on sales of real estate recognized in the 2000 period as compared to \$972,000 recognized in the 2001 period. In addition, this decrease includes \$13.0 million of interest income accrued during the 2000 period relating to the FrontLine Loans as compared to \$6.1 million for the 2001 period.

Property Expenses increased by \$10.3 million or 8.9% for the nine months ended September 30, 2001 as compared to the 2000 period. This increase is primarily due to an increase of \$6.0 million in our "same store" properties which consists of a \$3.2 million increase in property operating expenses and a \$2.8 million increase in real estate taxes. Additionally, there were increased expenses of \$2.4 million due to higher occupancy levels at our developed and redeveloped properties.

Gross Operating Margins for the nine months ended September 30, 2001 and 2000 were 66.4% and 65.1%, respectively. The increase in Gross Operating Margins is primarily attributable to an increase in rental rates.

Marketing general and administrative expenses increased by \$1.8 million for the nine months ended September 30, 2001 as compared to the 2000 period. The increase was primarily attributable to legal and professional fees incurred in connection with certain cancelled acquisition transactions, increases in certain tenant and community relation costs and amortization of deferred compensation costs. Marketing general and administrative expenses, as a percentage of total revenues, excluding gain on sales of real estate, were 5.2% for the nine months ended September 30, 2001 as compared to 5.2% for the 2000 period.

Interest expense decreased by approximately \$2.0 million for the nine months ended September 30, 2001 as compared to the 2000 period. The decrease was primarily attributable to a decrease in interest expense on the Company's variable rate debt due to lower interest rates.

Income (loss) before extraordinary loss and distributions to preferred unitholders decreased by approximately \$177.1 million for the nine months ended September 30, 2001 as compared to the 2000 period. The decrease is primarily attributable to the \$163 million valuation reserve on investment in affiliate loans and joint ventures as further described in Overview and Background.

LIQUIDITY AND CAPITAL RESOURCES

As of September 30, 2001, the Operating Partnership had a three year \$575 million unsecured revolving credit facility (the "Credit Facility") from The Chase Manhattan Bank, as administrative agent, UBS Warburg LLC as syndication agent and Deutsche Bank as documentation agent. The Credit Facility matures in September 2003 and borrowings under the Credit Facility are currently priced off LIBOR plus 105 basis points.

The Operating Partnership utilizes the Credit Facility primarily to finance real estate investments, fund its real estate development activities and for working capital purposes. At September 30, 2001, the Operating Partnership had availability under the Credit Facility to borrow an additional \$328.4 million (of which, approximately \$38.8 million has been allocated for outstanding undrawn letters of credit).

On June 1, 2001, the Operating Partnership refinanced a \$70 million short term variable rate mortgage note with a five year \$75 million fixed rate mortgage note, which bears interest at 6.52% per annum. In addition, on July 18, 2001, the Operating Partnership refinanced a \$200 million short term variable rate mortgage note with a ten year \$250 million fixed rate mortgage note, which bears interest at 6.867% per annum. The net proceeds of approximately \$50.4 million received by the Operating Partnership as a result of these refinancings was used to repay maturing fixed rate debt, the Credit Facility and for working capital purposes.

On July 24, 2001, the Operating Partnership repaid a mortgage note in the amount of approximately \$15.5 million from a portion of the proceeds received from the secured debt financing of 919 Third Avenue. In addition, on October 30, 2001, the Operating Partnership repaid a mortgage note in the amount of approximately \$6.4 million through a draw under the Operating Partnership's Credit Facility.

During the nine months ended September 30, 2001, approximately 11,553 preferred units of limited partnership interest, with a liquidation preference value of approximately \$11.6 million, were exchanged for 456,351 common units of limited partnership interest ("Units") at an average price of \$25.32 per Unit. In addition, the Company increased its general partner interest in the Operating Partnership by acquiring 509,545 outstanding Units from certain limited partners in exchange for an equal number of shares of its Class A common stock.

During the three months ended September 30, 2001, the Operating Partnership sold four office properties aggregating approximately 580,000 square feet and one 26,000 square foot industrial property for approximately \$73.6 million. In addition, the Operating Partnership sold its preferred interest in Keystone Property Trust for \$35.7 million. As a result of these sales, the Operating Partnership realized a net gain of approximately \$972,000. Net proceeds from the sales were used primarily to repay borrowings under the Credit Facility.

On May 31, 2001, a minority partner converted its \$85 million preferred equity investment in Metropolitan into 3,453,881 shares of the Company's Class A common stock. As a result, the Operating Partnership issued 3,453,881 Class A common units to the Company.

The Operating Partnership currently has issued and outstanding 10,283,513 Class B common units, all of which are held by the Company. The Class B common units currently receive an annual distribution of \$2.5968 per unit, which is subject to adjustment annually.

The Class B common units are exchangeable at any time, at the option of the holder, into an equal number of Class A common units subject to customary antidilution adjustments. The Operating Partnership, at its option, may redeem any or all of the Class B common units in exchange for an equal number of Class A common units at any time following November 23, 2003.

As of September 30, 2001, in conjunction with the Company's common stock buy back program, the Operating Partnership had purchased and retired 1,410,804 Class B common units at an average price of \$21.48 per Class B common unit and 16,704 Class A common units at an average purchase price of \$22.01 per Class A common unit for an aggregate purchase price of approximately \$30.7 million.

The Operating Partnership's indebtedness at September 30, 2001 totaled approximately 1.4 billion (including its share of joint venture debt and net of the minority partners' interests share of joint venture debt) and was comprised of \$246.6 million outstanding under the Credit Facility, approximately \$449.4 million of senior unsecured notes and approximately \$748.4 million of mortgage indebtedness. Based on the Operating Partnership's total market capitalization of approximately \$3.4 billion at September 30, 2001 (calculated based on the sum of (i) the value of the Operating Partnership's Class A common units and Class B common units (which, for this purpose, is assumed to be the same per unit as the market value of a share of the Company's Class A common stock and Class B common stock), (ii) the liquidation preference value of the Operating Partnership's preferred units and (iii) the \$1.4 billion of debt), the Operating Partnership's debt represented approximately 42.4% 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. The Operating Partnership expects to meet its short-term liquidity requirements generally through its net cash provided by operating activities along with the Credit Facility previously discussed. The Operating Partnership expects to meet certain of its financing requirements through long-term secured and unsecured borrowings and the issuance of debt and equity securities of the Operating Partnership. In addition, the Operating Partnership also believes that it will, from time to time, generate funds from the sale of certain of its real estate properties or interests therein. The Operating Partnership will refinance existing mortgage indebtedness or indebtedness under the Credit Facility at maturity or retire such debt through the issuance of additional debt securities or additional equity securities. The 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 debt and equity offerings, will be adequate to meet the capital and liquidity requirements of the Operating Partnership in both the short and long-term.

INFLATION

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

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

FUNDS FROM OPERATIONS

Management believes that funds from operations ("FFO") is an appropriate measure of performance of an operating partnership whose general partner is 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 accounting principles generally accepted in the United States ("GAAP") and is not indicative of cash available to fund cash needs. FFO should not be considered as an alternative to net income as an indicator of the Operating Partnership's operating performance or as an alternative to cash flow as a measure of liquidity. FFO for the three and nine months ended September 30, 2001 excludes \$163 million of valuation reserves on investments in affiliate loans and joint ventures.

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):

	THREE MONTHS ENDED SEPTEMBER 30,		NINE MONTHS ENDED SEPTEMBER 30,	
	2001	2000	2001	2000
Income (loss) before extraordinary loss.....	\$ (140,001)	\$ 36,249	\$ (92,162)	\$ 80,988
Less:				
Extraordinary loss.....	2,898	1,571	2,898	1,571
Net income (loss) available to common unit holders.....	(142,899)	34,678	(95,060)	79,417
Adjustment for Funds From Operations:				
Add				
Real estate depreciation and amortization.....	26,340	23,632	76,055	66,184
Minority partners' interests in consolidated partnerships.....	3,065	1,874	12,885	5,773
Valuation reserves on investments in affiliate loans and joint ventures.....	163,000	--	163,000	--
Extraordinary loss.....	2,898	1,571	2,898	1,571
Less:				
Gain on sales of real estate.....	972	15,206	972	21,868
Amounts distributable to minority partners in consolidated partnerships.....	4,206	2,247	15,010	6,764
Funds From Operations.....	\$ 47,226	\$ 44,302	\$ 143,796	\$ 124,313
Weighted average units outstanding.....	67,651	63,157	65,476	60,293

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

The primary market risk facing the Operating Partnership is interest rate risk on its long-term debt, mortgage notes and notes receivable. The Operating Partnership will, when advantageous, hedge its interest rate risk using financial instruments. The Operating Partnership is not subject to foreign currency risk.

The Operating Partnership manages its exposure to interest rate risk on its variable rate indebtedness by borrowing on a short-term basis under its Credit Facility until such time as it is able to retire the short-term variable rate debt with either a long-term fixed rate debt offering, long term mortgage debt, general partner contributions or through sales or partial sales of assets.

The Operating Partnership will recognize all derivatives on the balance sheet at fair value. Derivatives that are not hedges will be adjusted to fair value through income. If a derivative is a hedge, depending on the nature of the hedge, changes in the fair value of the derivative will either be offset against the change in fair value of the hedged asset, liability, or firm commitment through earnings, or recognized in other comprehensive income until the hedged item is recognized in earnings. The ineffective portion of a derivative's change in fair value will be immediately recognized in earnings.

The fair market value ("FMV") of the Operating Partnership's long term debt, mortgage notes and notes receivable is estimated based on discounting future cash flows at interest rates that management believes reflects the risks associated with long term debt, mortgage notes and notes receivable of similar risk and duration.

The following table sets forth the Operating Partnership's long term debt obligations by scheduled principal cash flow payments and maturity date, weighted average interest rates and estimated FMV at September 30, 2001 (dollars in thousands):

	For The Year Ended December 31,					Thereafter	Total(1)	FMV
	2001	2002	2003	2004	2005			
Long term debt:								
Fixed rate.....	\$ 2,629	\$ 20,047	\$ 12,550	\$ 116,099	\$ 33,004	\$ 1,028,197	\$1,212,526	\$1,231,866
Weighted average								
Interest rate.....	7.55%	7.65%	7.50%	7.47%	6.92%	7.35%	7.35%	
Variable rate.....	\$ --	\$ --	\$246,600	\$ --	\$ --	\$ --	\$ 246,600	\$ 246,600
Weighted average								
interest rate.....	--	--	4.56%	--	--	--	4.56%	

(1) Includes unamortized issuance discounts of \$557,000 on the 5 and 10-year senior unsecured notes issued on March 26, 1999, which are due at maturity.

In addition, the Operating Partnership has assessed the market risk for its variable rate debt, which is based upon LIBOR, and believes that a one percent increase in the LIBOR rate would have an approximate \$2.5 million annual increase in interest expense based on approximately \$246.6 million of variable rate debt outstanding at September 30, 2001.

The following table sets forth the Operating Partnership's mortgage notes and note receivables by scheduled maturity date, weighted average interest rates and estimated FMV at September 30, 2001 (dollars in thousands):

	For the Year Ended December 31,					Thereafter	Total (2)	FMV
	2001	2002	2003	2004	2005			
Mortgage notes and notes receivable:								
Fixed rate.....	\$ 4	\$ 1,165	\$ --	\$ 36,500	\$ --	\$ 16,990	\$ 54,659	\$ 55,974
Weighted average interest rate.....	9.00%	9.00%	--	10.23%	--	11.87%	10.71%	

(2) Excludes interest receivables aggregating approximately \$1,062,000.

NON-INCREMENTAL REVENUE GENERATING CAPITAL EXPENDITURES, TENANT IMPROVEMENT
COSTS AND LEASING COMMISSIONS

The following table summarizes the expenditures incurred for capital expenditures for the entire portfolio and tenant improvements and leasing commissions for space leased at the Operating Partnerships' office and industrial properties for the nine month period ended September 30, 2001 and the historical average of such capital expenditures, tenant improvements and leasing commissions for the years 1997 through 2000.

NON-INCREMENTAL REVENUE GENERATING CAPITAL EXPENDITURES

	1997	1998	1999	2000	1997-2000 average	Nine Months Ended September 30, 2001
Suburban Office Properties						
Total	\$1,108,675	\$2,004,976	\$2,298,899	\$3,289,116	\$2,175,417	\$2,623,584
Per Square Foot	0.22	0.23	0.23	0.33	0.25	0.26
CBD Office Properties						
Total	N/A	N/A	N/A	\$946,718	\$946,718	\$1,209,481
Per Square Foot	N/A	N/A	N/A	0.38	0.38	0.34
Industrial Properties						
Total	\$733,233	\$1,205,266	\$1,048,688	\$813,431	\$950,155	\$500,698
Per Square Foot	0.15	0.12	0.11	0.11	0.12	0.08

NON-INCREMENTAL REVENUE GENERATING TENANT IMPROVEMENTS AND LEASING COMMISSIONS

	1997	1998	1999	2000	1997-2000 average
Long Island Office Properties					
Tenant Improvements	\$ 784,044	\$1,140,251	\$1,009,357	\$2,853,706	\$1,466,840
Per Square Foot Improved	7.00	3.98	4.73	6.99	5.68
Leasing Commissions	\$ 415,822	\$ 418,191	\$ 551,762	\$2,208,604	\$ 898,595
Per Square Foot Leased	4.83	1.46	2.59	4.96	3.46
Total Per Square Foot	\$ 11.83	\$ 5.44	\$ 7.32	\$ 11.95	\$ 9.14
Westchester Office Properties					
Tenant Improvements	\$1,211,665	\$ 711,160	\$1,316,611	\$1,860,027	\$1,274,866
Per Square Foot Improved	8.90	4.45	5.62	5.72	6.17
Leasing Commissions	\$ 366,257	\$ 286,150	\$ 457,730	\$ 412,226	\$ 380,591
Per Square Foot Leased	2.69	1.79	1.96	3.00	2.36
Total Per Square Foot	\$ 11.59	\$ 6.24	\$ 7.58	\$ 8.72	\$ 8.53
Connecticut Office Properties					
Tenant Improvements	\$1,022,421	\$ 202,880	\$ 179,043	\$ 385,531	\$ 447,469
Per Square Foot Improved	13.39	5.92	4.88	4.19	7.10
Leasing Commissions	\$ 256,615	\$ 151,063	\$ 110,252	\$ 453,435	\$ 242,841
Per Square Foot Leased	3.36	4.41	3.00	4.92	3.92
Total Per Square Foot	\$ 16.75	\$ 10.33	\$ 7.88	\$ 9.11	\$ 11.02
New Jersey Office Properties					
Tenant Improvements	N/A	\$ 654,877	\$ 454,054	\$1,580,323	\$ 896,418
Per Square Foot Improved	N/A	3.78	2.29	6.71	4.26
Leasing Commissions	N/A	\$ 396,127	\$ 787,065	\$1,031,950	\$ 738,381
Per Square Foot Leased	N/A	2.08	3.96	4.44	3.49
Total Per Square Foot	N/A	\$ 5.86	\$ 6.25	\$ 11.15	\$ 7.75
New York City Office Properties					
Tenant Improvements	N/A	N/A	N/A	\$ 65,267	\$ 65,267
Per Square Foot Improved	N/A	N/A	N/A	1.79	1.79
Leasing Commissions	N/A	N/A	N/A	\$ 418,185	\$ 418,185
Per Square Foot Leased	N/A	N/A	N/A	11.50	11.50
Total Per Square Foot	N/A	N/A	N/A	\$ 13.29	\$ 13.29
Industrial Properties					
Tenant Improvements	\$ 230,466	\$ 283,842	\$ 375,646	\$ 650,216	\$ 385,043
Per Square Foot Improved	0.55	0.76	0.25	0.95	0.63
Leasing Commissions	\$ 81,013	\$ 200,154	\$ 835,108	\$ 436,506	\$ 388,195
Per Square Foot Leased	0.19	0.44	0.56	0.64	0.46
Total Per Square Foot	\$ 0.75	\$ 1.20	\$ 0.81	\$ 1.59	\$ 1.09

Nine Months
Ended
September 30, 2001

Long Island Office Properties

Tenant Improvements	\$ 702,596
Per Square Foot Improved	3.87
Leasing Commissions	\$ 699,507
Per Square Foot Leased	3.86

Total Per Square Foot	\$ 7.73
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Westchester Office Properties

Tenant Improvements	\$1,683,578
Per Square Foot Improved	7.50
Leasing Commissions	\$ 39,295
Per Square Foot Leased	0.14

Total Per Square Foot	\$ 7.64
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Connecticut Office Properties

Tenant Improvements	\$ 213,909
Per Square Foot Improved	2.38
Leasing Commissions	\$ 182,516
Per Square Foot Leased	2.03

Total Per Square Foot	\$ 4.41
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New Jersey Office Properties

Tenant Improvements	\$1,140,108
Per Square Foot Improved	2.93
Leasing Commissions	\$1,591,484
Per Square Foot Leased	4.09

Total Per Square Foot	\$ 7.02
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New York City Office Properties

Tenant Improvements	\$ 738,800
Per Square Foot Improved	16.87
Leasing Commissions	\$1,026,398
Per Square Foot Leased	23.44

Total Per Square Foot	\$ 40.31
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Industrial Properties

Tenant Improvements	\$ 34,650
Per Square Foot Improved	0.08
Leasing Commissions	\$ 50,055
Per Square Foot Leased	0.11

Total Per Square Foot	\$ 0.19
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LEASE EXPIRATIONS

The following table sets forth scheduled lease expirations for executed leases as of September 30, 2001:

LONG ISLAND OFFICE PROPERTIES (EXCLUDING OMNI):

Year of Lease Expiration -----	Number of Leases -----	Total Rentable Square Feet Expiring -----	% of Total Rentable Square Feet Expiring -----	Per Square Foot S/L Rent (1) -----	Per Square Foot Rent (2) -----
2001	10	58,954	1.9%	\$ 22.39	\$ 23.58
2002	30	137,384	4.5%	\$ 22.63	\$ 25.13
2003	48	324,908	10.7%	\$ 23.69	\$ 26.03
2004	40	249,801	8.2%	\$ 23.47	\$ 25.29
2005	48	411,949	13.5%	\$ 24.07	\$ 26.35
2006	31	142,090	4.7%	\$ 26.29	\$ 29.72
2007 and thereafter	83	1,723,657	56.5%	--	--
	---	-----	-----		
Total	290	3,048,743	100.0%		
	===	=====	=====		

OMNI:

Year of Lease Expiration -----	Number of Leases -----	Total Rentable Square Feet Expiring -----	% of Total Rentable Square Feet Expiring -----	Per Square Foot S/L Rent (1) -----	Per Square Foot Rent (2) -----
2001	1	5,290	0.9%	\$ 30.83	\$ 34.82
2002	4	53,127	9.3%	\$ 34.55	\$ 37.91
2003	4	58,018	10.1%	\$ 30.22	\$ 34.97
2004	4	112,414	19.6%	\$ 26.14	\$ 34.15
2005	6	59,115	10.3%	\$ 27.91	\$ 35.18
2006	1	9,749	1.7%	\$ 35.21	\$ 38.02
2007 and thereafter	10	276,259	48.1%	--	--
	---	-----	-----		
Total	30	573,972	100.0%		
	===	=====	=====		

INDUSTRIAL PROPERTIES:

Year of Lease Expiration -----	Number of Leases -----	Total Rentable Square Feet Expiring -----	% of Total Rentable Square Feet Expiring -----	Per Square Foot S/L Rent (1) -----	Per Square Foot Rent (2) -----
2001	7	74,427	1.5%	\$ 5.75	\$ 6.17
2002	26	252,635	4.9%	\$ 6.49	\$ 7.30
2003	28	733,434	14.4%	\$ 5.35	\$ 6.26
2004	32	620,553	12.2%	\$ 6.24	\$ 7.31
2005	22	427,994	8.4%	\$ 5.93	\$ 7.97
2006	37	933,793	18.3%	\$ 6.42	\$ 7.91
2007 and thereafter	44	2,056,442	40.3%	--	--
	---	-----	-----		
Total	196	5,099,278	100.0%		
	===	=====	=====		

LEASE EXPIRATIONS

RESEARCH AND DEVELOPMENT PROPERTIES:

Year of Lease Expiration -----	Number of Leases -----	Total Rentable Square Feet Expiring -----	% of Total Rentable Square Feet Expiring -----	Per Square Foot S/L Rent (1) -----	Per Square Foot Rent (2) -----
2001	5	262,946	21.1%	\$ 5.59	\$ 6.78
2002	3	118,620	9.5%	\$ 10.19	\$ 11.82
2003	4	37,938	3.0%	\$ 9.20	\$ 10.15
2004	9	99,218	8.0%	\$ 13.86	\$ 15.01
2005	4	357,440	28.7%	\$ 8.70	\$ 10.78
2006	5	80,261	6.5%	\$ 18.06	\$ 20.83
2007 and thereafter	13	288,400	23.2%	--	--
	---	-----	-----		
Total	43 ===	1,244,823 =====	100.0% =====		

WESTCHESTER OFFICE PROPERTIES:

Year of Lease Expiration -----	Number of Leases -----	Total Rentable Square Feet Expiring -----	% of Total Rentable Square Feet Expiring -----	Per Square Foot S/L Rent (1) -----	Per Square Foot Rent (2) -----
2001	4	14,463	0.4%	\$ 22.07	\$ 22.37
2002	48	430,153	14.3%	\$ 21.34	\$ 21.92
2003	49	240,857	8.0%	\$ 22.68	\$ 23.81
2004	32	169,158	5.6%	\$ 21.37	\$ 22.40
2005	45	387,247	12.9%	\$ 25.00	\$ 25.40
2006	36	719,583	23.9%	\$ 22.79	\$ 24.60
2007 and thereafter	44	1,049,933	34.9%	--	--
	---	-----	-----		
Total	258 ===	3,011,394 =====	100.0% =====		

STAMFORD OFFICE PROPERTIES:

Year of Lease Expiration -----	Number of Leases -----	Total Rentable Square Feet Expiring -----	% of Total Rentable Square Feet Expiring -----	Per Square Foot S/L Rent (1) -----	Per Square Foot Rent (2) -----
2001	9	18,656	1.8%	\$ 27.67	\$ 21.62
2002	18	88,704	8.5%	\$ 27.44	\$ 28.72
2003	17	120,969	11.6%	\$ 31.00	\$ 31.64
2004	21	228,220	21.9%	\$ 21.81	\$ 22.67
2005	19	121,885	11.7%	\$ 26.66	\$ 28.47
2006	21	281,437	26.9%	\$ 25.65	\$ 25.31
2007 and thereafter	16	183,932	17.6%	--	--
	---	-----	-----		
Total	121 ===	1,043,803 =====	100.0% =====		

LEASE EXPIRATIONS

NEW JERSEY OFFICE PROPERTIES:

Year of Lease Expiration -----	Number of Leases -----	Total Rentable Square Feet Expiring -----	% of Total Rentable Square Feet Expiring -----	Per Square Foot S/L Rent (1) -----	Per Square Foot Rent (2) -----
2001	7	38,621	2.1%	\$ 16.76	\$ 17.14
2002	20	160,092	8.8%	\$ 20.02	\$ 20.93
2003	17	317,607	17.6%	\$ 28.05	\$ 27.56
2004	28	200,726	11.1%	\$ 22.96	\$ 23.78
2005	24	272,316	15.1%	\$ 23.66	\$ 23.63
2006	16	194,327	10.7%	\$ 24.23	\$ 25.54
2007 and thereafter	17	625,055	34.6%	--	--
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Total	129 ===	1,808,744 =====	100.0% =====		

NEW YORK CITY OFFICE

Year of Lease Expiration -----	Number of Leases -----	Total Rentable Square Feet Expiring -----	% of Total Rentable Square Feet Expiring -----	Per Square Foot S/L Rent (1) -----	Per Square Foot Rent (2) -----
2001	5	17,703	0.5%	\$ 28.48	\$ 28.64
2002	22	193,034	5.7%	\$ 32.47	\$ 33.40
2003	7	114,987	3.4%	\$ 32.10	\$ 32.89
2004	19	218,239	6.5%	\$ 36.46	\$ 39.35
2005	34	446,606	13.3%	\$ 36.05	\$ 37.53
2006	49	343,986	10.2%	\$ 29.92	\$ 30.69
2007 and thereafter	77	2,034,112	60.4%	--	--
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Total	213 ===	3,368,667 =====	100.0% =====		

(1) Per square foot rental rate represents annualized straight line rent as of the lease expiration date.

(2) Per square foot rental rate represents annualized base rent as of the lease expiration date plus non-recoverable operating expense pass-throughs.

PART II - OTHER INFORMATION

- Item 1. Legal Proceedings - None
Item 2. Changes in Securities and use of proceeds

On August 8, 2001, the Registrant issued 150,645 common units of limited partnership interest to a limited partner in exchange for approximately 3,768 preferred units of limited partnership interest, with a liquidation preference value of approximately \$3.8 million. This transaction was exempt from registration pursuant to Section 4(2) of the Securities Act of 1933.

- Item 3. Defaults Upon Senior Securities - None
Item 4. Submission of Matters to a Vote of Securities Holders - None
Item 5. Other information - None

Item 6. Exhibits and Reports on Form 8-K

a) Exhibits:

- 10.1 Amended and Restated 1995 Stock Option Plan of Reckson Associates Realty Corp.
10.2 Amended and Restated 1997 Stock Option Plan of Reckson Associates Realty Corp.

b) During the three months ended September 30, 2001 the Registrant filed the following reports on Form 8K:

On August 8, 2001, the Registrant submitted a report on Form 8-K under Item 9 thereof in order to submit its second quarter presentation in satisfaction of the requirements of Regulation FD.

On August 9, 2001, the Registrant submitted a report on Form 8-K under Item 9 thereof in order to submit supplemental operating and financial data for the quarter ended June 30, 2001 in satisfaction of the requirements of Regulation FD.

SIGNATURES

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

RECKSON OPERATING PARTNERSHIP, L. P.

BY: RECKSON ASSOCIATES REALTY CORP., its general partner

By: /s/ Scott H. Rechler

Scott H. Rechler, Co-Chief Executive Officer

By: /s/ Michael Maturo

Michael Maturo, Executive Vice President, Treasurer
and Chief Financial Officer

Date: November 14, 2001

RECKSON ASSOCIATES REALTY CORP. AMENDED AND RESTATED
1995 STOCK OPTION PLAN

AS AMENDED THROUGH MARCH 5, 2001

ARTICLE 1. GENERAL

1.1. Purpose. The purpose of the Reckson Associates Realty Corp. 1995 Stock Option Plan (the "Plan") is to provide for certain officers, directors and key employees, as defined in Section 1.3, of Reckson Associates Realty Corp. (the "Company") and certain of its Affiliates (as defined below) an equity-based incentive to maintain and enhance the performance and profitability of the Company. It is the further purpose of this Plan to permit the granting of awards that will constitute performance based compensation for certain executive officers, as described in Section 162(m) of the Internal Revenue Code of 1986, as amended (the "Code"), and regulations promulgated thereunder.

1.2. Administration.

(a) The Plan shall be administered by the Compensation Committee (the "Committee") of the Board of Directors of the Company (the "Board"), which Committee shall consist of two or more directors, or by the Board. It is intended that the directors appointed to serve on the Committee shall be "non-employee directors" (within the meaning of Rule 16b-3 promulgated under the Securities Exchange Act of 1934 (the "Act")) and "outside directors" (within the meaning of Code Section 162(m)); however, the mere fact that a Committee member shall fail to qualify under either of these requirements shall not invalidate any award made by the Committee which award is otherwise validly made under the Plan. The members of the Committee shall be appointed by, and may be changed at any time and from time to time in the discretion of, the Board.

(b) The Committee shall have the authority (i) to exercise all of the powers granted to it under the Plan, (ii) to construe, interpret and implement the Plan and any Plan Agreements (as defined below) executed pursuant to the Plan, (iii) to prescribe, amend and rescind rules relating to the Plan, (iv) to make any determination necessary or advisable in administering the Plan, (v) to correct any defect, supply any omission and reconcile any inconsistency in the Plan and (vi) to delegate to Donald J. Rechler and Scott H. Rechler (the "Proper Officers") its authority to grant awards under the Plan to key employees, excluding those employees who are executive officers ("Non-Executive Officers"), provided that (a) the aggregate number of shares of Common Stock granted to any Non-Executive Officer during any calendar year shall not exceed 100,000 shares and (b) the Proper Officers shall report quarterly to the Committee regarding the material terms of awards granted to any Non-Executive Officers. The Committee shall have no authority to interpret or administer Article 5 of the Plan or to take any action with respect to any awards thereunder.

(c) The determination of the Committee on all matters relating to the Plan or any Plan Agreement shall be conclusive.

(d) No member of the Committee shall be liable for any action or determination made in good faith with respect to the Plan or any award hereunder.

(e) Notwithstanding anything to the contrary contained herein, the Board may, in its sole discretion, at any time and from time to time, resolve to administer the Plan, in which case, the term Committee as used herein shall be deemed to mean the Board.

1.3. Persons Eligible for Awards. Awards under the Plan may be made to such officers, directors and key employees ("key personnel") of the Company or its Affiliates as the Committee shall from time to time in its sole discretion select. No member of the Board who is not an officer or employee of the Company or an Affiliate (an "Independent Director") shall be eligible to receive any Awards under the Plan, except for non-qualified stock options granted automatically under the provisions of Article 5 of the Plan.

1.4. Types of Awards Under Plan.

(a) Awards may be made under the Plan in the form of (i) stock options ("options"), (ii) restricted stock awards and (iii) unrestricted stock awards, in lieu of cash compensation, all as more fully set forth in Articles 2 and 3.

(b) Options granted under the Plan may be either (i) "nonqualified" stock options ("NQSOS") or (ii) options intended to qualify for incentive stock option treatment described in Code Section 422 ("ISOs"). Grants of options made under the Plan may also be made in lieu of cash fees otherwise payable to Directors of the Company or cash bonuses payable to employees of the Company or any Affiliate.

(c) All options when granted are intended to be NQSOS, unless the applicable Plan Agreement explicitly states that the option is intended to be an ISO. If an option is intended to be an ISO, and if for any reason such option (or any portion thereof) shall not qualify as an ISO, then, to the extent of such nonqualification, such option (or portion) shall be regarded as a NQSO appropriately granted under the Plan provided that such option (or portion) otherwise meets the Plan's requirements relating to NQSOS.

1.5. Shares Available for Awards.

(a) Subject to Section 4.5 (relating to adjustments upon changes in capitalization), as of any date the total number of shares of Common Stock with

respect to which awards may be granted under the Plan, shall equal the excess (if any) of 750,000 shares of Common Stock, over (i) the number of shares of Common Stock subject to outstanding awards, (ii) the number of shares in respect of which options have been exercised, or grants of restricted or unrestricted Common Stock have been made pursuant to the Plan, and (iii) the number of shares issued subject to forfeiture restrictions which have lapsed.

In accordance with (and without limitation upon) the preceding sentence, awards may be granted in respect of the following shares of Common Stock: shares covered by previously-granted awards that have expired, terminated or been cancelled for any reason whatsoever (other than by reason of exercise or vesting).

(b) In any year, a person eligible for awards under the Plan may not be granted options under the Plan covering a total of more than 75,000 shares of Common Stock.

(c) Shares of Common Stock that shall be subject to issuance pursuant to the Plan shall be authorized and unissued or treasury shares of Common Stock, or shares of Common Stock purchased on the open market or from shareholders of the Company for such purpose.

(d) Without limiting the generality of the foregoing, the Committee may, with the grantee's consent, cancel any award under the Plan and issue a new award in substitution therefor upon such terms as the Committee may in its sole discretion determine, provided that the substituted award shall satisfy all applicable Plan requirements as of the date such new award is made.

1.6. Definitions of Certain Terms.

(a) The term "Affiliate" as used herein means Reckson Operating Partnership, L.P., Reckson FS Limited Partnership, RANY Management Group, Inc., Reckson Finance, Inc., Reckson Management Group, Inc. and Reckson Construction Group, Inc., and any person or entity as subsequently approved by the Board which, at the time of reference, directly, or indirectly through one or more intermediaries, controls, is controlled by, or is under common control with, the Company.

(b) The term "Cause" shall mean a finding by the Committee that the recipient of an award under the Plan has (i) acted with gross negligence or willful misconduct in connection with the performance of his material duties to the Company or its Affiliates; (ii) defaulted in the performance of his material duties to the Company or its Affiliates and has not corrected such action within 15 days of receipt of written notice thereof; (iii) willfully acted against the best interests of the Company or its Affiliates, which act has had a material and adverse impact on the financial affairs of the Company or its Affiliates; or (iv) been convicted of a felony or committed a material act of common law fraud against the Company, its Affiliates or their employees and such act or conviction has, or the Committee reasonably determines will have, a material adverse effect on the interests of the Company or its Affiliates.

(c) The term "Common Stock" as used herein means the shares of Class A common stock of the Company as constituted on the effective date of the Plan, and any other shares into which such common stock shall thereafter be changed by reason of a recapitalization, merger, consolidation, split-up, combination, exchange of shares or the like.

(d) The "fair market value" (or "FMV") as of any date and in respect of any share of Common Stock shall be:

(i) if the Common Stock is listed for trading on the New York Stock Exchange, the closing price, regular way, of the Common Stock as reported on the New York Stock Exchange Composite Tape, or if no such reported sale of the Common Stock shall have occurred on such date, on the next preceding date on which there was such a reported sale; or

(ii) the Common Stock is not so listed but is listed on another national securities exchange or authorized for quotation on the National Association of Securities Dealers Inc.'s NASDAQ National Market System ("NASDAQ/NMS"), the closing price, regular way, of the Common Stock on such exchange or NASDAQ/NMS, as the case may be, on which the largest number of shares of Common Stock have been traded in the aggregate on the preceding twenty trading days, or if no such reported sale of the Stock shall have occurred on such date on such exchange or NASDAQ/NMS, as the case may be, on the preceding date on which there was such a reported sale on such exchange or NASDAQ/NMS, as the case may be; or

(iii) if the Stock is not listed for trading on a national securities exchange or authorized for quotation on NASDAQ/NMS, the average of the closing bid and asked prices as reported by the National Association of Securities Dealers Automated Quotation System ("NASDAQ") or, if no such prices shall have been so reported for such date, on the next preceding date for which such prices were so reported.

1.7. Agreements Evidencing Awards.

(a) Options and restricted stock awards granted under the Plan shall be evidenced by written agreements. Any such written agreements shall (i) contain such provisions not inconsistent with the terms of the Plan as the Committee may in its sole discretion deem necessary or desirable and (ii) be referred to herein as "Plan Agreements."

(b) Each Plan Agreement shall set forth the number of shares of Common Stock subject to the award granted thereby.

(c) Each Plan Agreement with respect to the granting of an option shall set forth the amount (the "option exercise price") payable by the grantee to the Company in connection with the exercise of the option evidenced thereby. The option exercise price per share shall not be less than 100% of the fair market value of a share of Common Stock on the date the option is granted.

ARTICLE 2. STOCK OPTIONS

2.1. Option Awards.

(a) Grant of Stock Options. The Committee may grant options to purchase shares of Common Stock in such amounts and subject to such terms and conditions as the Committee shall from time to time in its sole discretion determine, subject to the terms of the Plan.

(b) Dividend Equivalent Rights. To the extent expressly provided by the Committee at the time of the grant, each NQSO granted under this Section 2.1 shall also generate Dividend Equivalent Rights ("DERs"), which shall entitle the grantee to receive an additional share of Common Stock for each DER received upon the exercise of the NQSO, at no additional cost, based on the formula set forth herein. As of the last business day of each calendar quarter, the amount of dividends paid by the Company on each share of Common Stock with respect to

that quarter shall be divided by the FMV per share to determine the actual number of DERs accruing on each share subject to the NQSO. Such amount of DERs shall be multiplied by the number of shares covered by the NQSO to determine the number of DERs which accrued during such quarter. The provisions of this Section 2.1(b) shall not be amended more than once every six months other than to comport with changes in applicable law.

For example. Assume that a grantee holds a NQSO to purchase 600 shares of Common Stock. Further assume that the dividend per share for the first quarter was \$0.10, and that the FMV per share on the last business day of the quarter was \$20. Therefore, .005 DER would accrue per share for that quarter and such grantee would receive three DERs for that quarter (600 X .005). For purposes of determining how many DERs would accrue during the second quarter, the NQSO would be considered to be for 603 shares of Common Stock.

2.2. Exercisability of Options. Subject to the other provisions of the Plan:

(a) Exercisability Determined by Plan Agreement. Each Plan Agreement shall set forth the period during which and the conditions subject to which the option shall be exercisable (including, but not limited to vesting of such options), as determined by the Committee in its discretion.

(b) Partial Exercise Permitted. Unless the applicable Plan Agreement otherwise provides, an option granted under the Plan may be exercised from time to time as to all or part of the full number of shares for which such option is then exercisable, in which event the DERs relating to the portion of the option being exercised shall also be exercised.

(c) Notice of Exercise; Exercise Date.

(i) An option shall be exercisable by the filing of a written notice of exercise with the Company, on such form and in such manner as the Committee shall in its sole discretion prescribe, and by payment in accordance with Section 2.4.

(ii) Unless the applicable Plan Agreement otherwise provides, or the Committee in its sole discretion otherwise determines, the date of exercise of an option shall be the date the Company receives such written notice of exercise and payment.

2.3. Limitation on Exercise. Notwithstanding any other provision of the Plan, no Plan Agreement shall permit an ISO to be exercisable more than 10 years after the date of grant.

2.4. Payment of Option Price.

(a) Tender Due Upon Notice of Exercise. Unless the applicable Plan Agreement otherwise provides or the Committee in its sole discretion otherwise determines, any written notice of exercise of an option shall be accompanied by payment of the full purchase price for the shares being purchased.

(b) Manner of Payment. Payment of the option exercise price shall be made in any combination of the following:

(i) by certified or official bank check payable to the Company (or the equivalent thereof acceptable to the Committee);

(ii) by personal check (subject to collection), which may in the Committee's discretion be deemed conditional;

(iii) with the consent of the Committee in its sole discretion, by delivery of previously acquired shares of Common Stock owned by the grantee for at least six months having a fair market value (determined as of the option exercise date) equal to the portion of the option exercise price being paid thereby, provided that the Committee may require the grantee to furnish an opinion of counsel acceptable to the Committee to the effect that such delivery would not result in the grantee incurring any liability under Section 16(b) of the Act and does not require any Consent (as defined in Section 4.2); and

(iv) with the consent of the Committee in its sole discretion, by the full recourse promissory note and agreement of the grantee providing for payment with interest on the unpaid balance accruing at a rate not less than that needed to avoid the imputation of income under Code Section 7872 and upon such terms and conditions (including the security, if any, therefor) as the Committee may determine; and

(v) by withholding shares of Common Stock from the shares otherwise issuable pursuant to the exercise.

(c) Cashless Exercise. Payment in accordance with Section 2.4(b) may be deemed to be satisfied, if and to the extent provided in the applicable Plan Agreement, by delivery to the Company of an assignment of a sufficient amount of the proceeds from the sale of Common Stock acquired upon exercise to pay for all of the Common Stock acquired upon exercise and an authorization to the broker or selling agent to pay that amount to the Company, which sale shall be made at the grantee's direction at the time of exercise, provided that the Committee may require the grantee to furnish an opinion of counsel acceptable to the Committee to the effect that such delivery would not result in the grantee incurring any liability under Section 16 of the Act and does not require any Consent (as defined in Section 4.2).

(d) Issuance of Shares. As soon as practicable after receipt of full payment, the Company shall, subject to the provisions of Section 4.2, deliver to the grantee one or more certificates for the shares of Common Stock so purchased, which certificates may bear such legends as the Company may deem appropriate concerning restrictions on the disposition of the shares in accordance with applicable securities laws, rules and regulations or otherwise.

2.5. Default Rules Concerning Termination of Employment.

Subject to the other provisions of the Plan and unless the applicable Plan Agreement otherwise provides:

(a) General Rule. All options granted to a grantee shall terminate upon the grantee's termination of employment for any reason except to the extent post-employment exercise of the option is permitted in accordance with this Section 2.5.

(b) Termination for Cause. All unexercised or unvested options granted to a grantee shall terminate and expire on the day a grantee's employment is terminated for Cause.

(c) Regular Termination; Leave of Absence. If the grantee's employment terminates for any reason other than as provided in subsection (b), (d) or (f) of this Section 2.5, any awards granted to such grantee which were exercisable immediately prior to such termination of employment may be exercised, and any awards subject to vesting may continue to vest, until the earlier of either: (i) 90 days after the grantee's termination of employment and (ii) the date on which such options terminate or expire in accordance with the provisions of the Plan (other than this Section 2.5) and the Plan Agreement; provided that the Committee may, in its sole discretion, determine such other period for exercise in the case of a grantee whose employment terminates solely because the grantee's employer ceases to be an Affiliate or the grantee transfers employment with the Company's consent to a purchaser of a business disposed of by the Company. The Committee may, in its sole discretion, determine (i) whether any leave of absence (including short-term or long-term disability or medical leave) shall constitute a termination of employment for purposes of the Plan and (ii) the effect, if any, of any such leave on outstanding awards under the Plan.

(d) Retirement. If a grantee's employment terminates by reason of retirement (i.e., the voluntary termination of employee by a grantee after attaining the age of 55), the options exercisable by the grantee immediately prior to the grantee's retirement shall be exercisable by the grantee until the earlier of (i) 36 months after the grantee's retirement and (ii) the date on which such options terminate or expire in accordance with the provisions of the Plan (other than this Section 2.5) and the Plan Agreement.

(e) Death After Termination. If a grantee's employment terminates in the manner described in subsections (c) or (d) of this Section 2.5 and the grantee dies within the period for exercise provided for therein, the options exercisable by the grantee immediately prior to the grantee's death shall be exercisable by the personal representative of the grantee's estate or by the person to whom such options pass under the grantee's will (or, if applicable, pursuant to the laws of descent and distribution) until the earlier of (i) 12 months after the grantee's death and (ii) the date on which such options terminate or expire in accordance with the provisions of subsections (c) or (d) of this Section 2.5.

(f) Death Before Termination. If a grantee dies while employed by the Company or any Affiliate, all options granted to the grantee but not exercised before the death of the grantee, whether or not exercisable by the grantee before the grantee's death, shall immediately become and be exercisable by the personal representative of the grantee's estate or by the person to whom such options pass under the grantee's will (or, if applicable, pursuant to the laws of descent and distribution) until the earlier of (i) 12 months after the grantee's death and (ii) the date on which such options terminate or expire in accordance with the provisions of the Plan (other than this Section 2.5) and the Plan Agreement.

2.6. Special ISO Requirements. In order for a grantee to receive special tax treatment with respect to stock acquired under an option intended to be an ISO, the grantee of such option must be, at all times during the period beginning on the date of grant and ending on the day three months before the date of exercise of such option, an employee of the Company or any of the Company's parent or subsidiary corporations (within the meaning of Code Section 424), or of a corporation or a parent or subsidiary corporation of such corporation issuing or assuming a stock option in a transaction to which Code Section 424(a) applies. If an option granted under the Plan is intended to be an ISO, and if the grantee, at the time of grant, owns stock possessing more than 10% of the total combined voting power of all classes of stock of the grantee's employer corporation or of its parent or subsidiary corporation, then (i) the option exercise price per share shall in no event be less than 110% of the fair market value of the Common Stock on the date of such grant and (ii) such option shall not be exercisable after the expiration of five years after the date such option is granted.

ARTICLE 3. RESTRICTED STOCK AND UNRESTRICTED STOCK AWARDS

3.1. Restricted Stock Awards.

(a) Grant of Awards. The Committee may grant restricted stock awards, alone or in tandem with other awards, under the Plan in such amounts and subject to such terms and conditions as the Committee shall from time to time in its sole discretion determine; provided, however, that the grant of any such restricted stock awards may be made in lieu of, or in tandem with other, cash compensation and bonuses. The vesting of a restricted stock award granted under the Plan may be conditioned upon the completion of a specified period of employment with the Company or any Affiliate, upon the attainment of specified performance goals, and/or upon such other criteria as the Committee may determine in its sole discretion.

(b) Payment. Each Plan Agreement with respect to a restricted stock award shall set forth the amount (if any) to be paid by the grantee with respect to such award. If a grantee makes any payment for a restricted stock award which does not vest, appropriate payment may be made to the grantee following the forfeiture of such award on such terms and conditions as the Committee may determine. The Committee shall have the authority to make or authorize loans to finance, or to otherwise accommodate the financing of, the acquisition or exercise of a restricted stock award.

(c) Forfeiture upon Termination of Employment. Unless the applicable Plan Agreement otherwise provides or the Committee otherwise determines, (i) if a grantee's employment terminates for any reason (including death) before all of his restricted stock awards have vested, such awards shall terminate and expire upon such termination of employment, and (ii) in the event any condition to the vesting of restricted stock awards is not satisfied within the period of time permitted therefor, such unvested shares shall be returned to the Company.

(d) Issuance of Shares. The Committee may provide that one or more certificates representing restricted stock awards shall be registered in the grantee's name and bear an appropriate legend specifying that such shares are not transferable and are subject to the terms and conditions of the Plan and the applicable Plan Agreement, or that such certificate or certificates shall be held in escrow by the Company on behalf of the grantee until such shares

vest or are forfeited, all on such terms and conditions as the Committee may determine. Unless the applicable Plan Agreement otherwise provides, no share of restricted stock may be assigned, transferred, otherwise encumbered or disposed of by the grantee until such share has vested in accordance with the terms of such award. Subject to the provisions of Section 4.2, as soon as practicable after any restricted stock award shall vest, the Company shall issue or reissue to the grantee (or to the grantee's designated beneficiary in the event of the grantee's death) one or more certificates for the Common Stock represented by such restricted stock award.

(e) Grantees' Rights Regarding Restricted Stock. Unless the applicable Plan Agreement otherwise provides: (i) a grantee may vote and receive dividends on restricted stock awarded under the Plan; and (ii) any stock received as a distribution with respect to a restricted stock award shall be subject to the same restrictions as such restricted stock.

3.2. Unrestricted Stock. The Committee may issue unrestricted stock under the Plan, alone or in tandem with other awards, in such amounts and subject to such terms and conditions as the Committee shall from time to time in its sole discretion determine; provided, however, that the grant of any such unrestricted stock awards may be made in lieu of, or in tandem with other, cash compensation and bonuses. The Committee shall have the authority to make or authorize loans to finance, or to otherwise accommodate the financing of, the acquisition or exercise of an unrestricted stock award.

ARTICLE 4. MISCELLANEOUS

4.1. Amendment of the Plan; Modification of Awards.

(a) Plan Amendments. The Board may, without stockholder approval, at any time and from time to time suspend, discontinue or amend the Plan in any respect whatsoever, except that no such amendment shall impair any rights under any award theretofore made under the Plan without the consent of the grantee of such award. Furthermore, except as and to the extent otherwise permitted by Section 4.5 or 4.11, no such amendment shall, without stockholder approval:

(i) materially increase the benefits accruing to grantees under the Plan;

(ii) increase the maximum number of shares which may be made subject to awards to an individual as options in any year;

(iii) materially increase, beyond the amounts set forth in Section 1.5, the number of shares of Common Stock in respect of which awards may be issued under the Plan;

(iv) materially modify the designation in Section 1.3 of the class of persons eligible to receive awards under the Plan;

(v) provide for the grant of stock options having an option exercise price per share of Common Stock less than 100% of the fair market value of a share of Common Stock on the date of grant; or

(vi) extend the term of the Plan beyond the period set forth in Section 4.13.

(b) Award Modifications. Subject to the terms and conditions of the Plan (including Section 4.1(a)), the Committee may amend outstanding Plan Agreements with such grantee, including, without limitation, any amendment which would (i) accelerate the time or times at which an award may vest or become exercisable and/or (ii) extend the scheduled termination or expiration date of the award, provided, however, that no modification having a material adverse effect upon the interest of a grantee in an award shall be made without the consent of such grantee.

4.2. Restrictions.

(a) Consent Requirements. If the Committee shall at any time determine that any Consent (as hereinafter defined) is necessary or desirable as a condition of, or in connection with, the granting of any award under the Plan, the acquisition, issuance or purchase of shares or other rights hereunder or the taking of any other action hereunder (each such action being hereinafter referred to as a "Plan Action"), then such Plan Action shall not be taken, in whole or in part, unless and until such Consent shall have been effected or obtained to the full satisfaction of the Committee. Without limiting the generality of the foregoing, the Committee shall be entitled to determine not to make any payment whatsoever until Consent has been given if (i) the Committee may make any payment under the Plan in cash, Common Stock or both, and (ii) the Committee determines that Consent is necessary or desirable as a condition of, or in connection with, payment in any one or more of such forms.

(b) Consent Defined. The term "Consent" as used herein with respect to any Plan Action means (i) any and all listings, registrations or qualifications in respect thereof upon any securities exchange or other self-regulatory organization or under any federal, state or local law, rule or regulation, (ii) the expiration, elimination or satisfaction of any prohibitions, restrictions or limitations under any federal, state or local law, rule or regulation or the rules of any securities exchange or other self-regulatory organization, (iii) any and all written agreements and representations by the grantee with respect to the disposition of shares, or with respect to any other matter, which the Committee shall deem necessary or desirable to comply with the terms of any such listing, registration or qualification or to obtain an exemption from the requirement that any such listing, qualification or registration be made, and (iv) any and all consents, clearances and approvals in respect of a Plan Action by any governmental or other regulatory bodies or any parties to any loan agreements or other contractual obligations of the Company or any Affiliate.

4.3. Nontransferability. No award granted to any grantee under the Plan or under any Plan Agreement shall be assignable or transferable by the grantee other than by will or by the laws of descent and distribution. During the lifetime of the grantee, all rights with respect to any award granted to the grantee under the Plan or under any Plan Agreement shall be exercisable only by the grantee.

4.4. Withholding Taxes.

(a) Whenever under the Plan shares of Common Stock are to be delivered pursuant to an award, the Committee may require as a condition of delivery that the grantee remit an amount

sufficient to satisfy all federal, state and other governmental withholding tax requirements related thereto. Whenever cash is to be paid under the Plan, the Company may, as a condition of its payment, deduct therefrom, or from any salary or other payments due to the grantee, an amount sufficient to satisfy all federal, state and other governmental withholding tax requirements related thereto or to the delivery of any shares of Common Stock under the Plan.

(b) Without limiting the generality of the foregoing, (i) a grantee may elect to satisfy all or part of the foregoing withholding requirements by delivery of unrestricted shares of Common Stock owned by the grantee for at least six months (or such other period as the Committee may determine) having a fair market value (determined as of the date of such delivery by the grantee) equal to all or part of the amount to be so withheld, provided that the Committee may require, as a condition of accepting any such delivery, the grantee to furnish an opinion of counsel acceptable to the Committee to the effect that such delivery would not result in the grantee incurring any liability under Section 16(b) of the Act and (ii) the Committee may permit any such delivery to be made by withholding shares of Common Stock from the shares otherwise issuable pursuant to the award giving rise to the tax withholding obligation (in which event the date of delivery shall be deemed the date such award was exercised).

4.5. Adjustments Upon Changes in Capitalization. If and to the extent specified by the Committee, the number of shares of Common Stock which may be issued pursuant to awards under the Plan, the maximum number of options which may be granted to any one person in any year, the number of shares of Common Stock subject to awards, the option exercise price of options theretofore granted under the Plan, and the amount payable by a grantee in respect of an award, shall be appropriately adjusted (as the Committee may determine) for any change in the number of issued shares of Common Stock resulting from the subdivision or combination of shares of Common Stock or other capital adjustments, or the payment of a stock dividend after the effective date of the Plan, or other change in such shares of Common Stock effected without receipt of consideration by the Company; provided that any awards covering fractional shares of Common Stock resulting from any such adjustment shall be eliminated and provided further, that each ISO granted under the Plan shall not be adjusted in a manner that causes such option to fail to continue to qualify as an ISO within the meaning of Code Section 422. Adjustments under this Section shall be made by the Committee, whose determination as to what adjustments shall be made, and the extent thereof, shall be final, binding and conclusive.

4.6. Right of Discharge Reserved. Nothing in the Plan or in any Plan Agreement shall confer upon any person the right to continue in the employment of the Company or an Affiliate or affect any right which the Company or an Affiliate may have to terminate the employment of such person.

4.7. No Rights as a Stockholder. No grantee or other person shall have any of the rights of a stockholder of the Company with respect to shares subject to an award until the issuance of a stock certificate to him for such shares. Except as otherwise provided in Section 4.5, no adjustment shall be made for dividends, distributions or other rights (whether ordinary or extraordinary, and whether in cash, securities or other property) for which the record date is prior to the date such stock certificate is issued. In the case of a grantee of an award which has not yet vested, the grantee shall have the rights of a stockholder of the Company if and only to the extent provided in the applicable Plan Agreement.

4.8. Nature of Payments.

(a) Any and all awards or payments hereunder shall be granted, issued, delivered or paid, as the case may be, in consideration of services performed for the Company or for its Affiliates by the grantee.

(b) No such awards and payments shall be considered special incentive payments to the grantee or, unless otherwise determined by the Committee, be taken into account in computing the grantee's salary or compensation for the purposes of determining any benefits under (i) any pension, retirement, life insurance or other benefit plan of the Company or any Affiliate or (ii) any agreement between the Company or any Affiliate and the grantee.

(c) By accepting an award under the Plan, the grantee shall thereby waive any claim to continued exercisability or vesting of an award or to damages or severance entitlement related to non-continuation of the award beyond the period provided herein or in the applicable Plan Agreement, notwithstanding any contrary provision in any written employment contract with the grantee, whether any such contract is executed before or after the grant date of the award.

4.9. Non-Uniform Determinations. The Committee's determinations under the Plan need not be uniform and may be made by it selectively among persons who receive, or are eligible to receive, awards under the Plan (whether or not such persons are similarly situated). Without limiting the generality of the foregoing, the Committee shall be entitled, among other things, to make non-uniform and selective determinations, and to enter into non-uniform and selective Plan Agreements, as to (a) the persons to receive awards under the Plan, (b) the terms and provisions of awards under the Plan, and (c) the treatment of leaves of absence pursuant to Section 2.7(c).

4.10. Other Payments or Awards. Nothing contained in the Plan shall be deemed in any way to limit or restrict the Company, any Affiliate or the Committee from making any award or payment to any person under any other plan, arrangement or understanding, whether now existing or hereafter in effect.

4.11. Reorganization.

(a) In the event that the Company is merged or consolidated with another corporation and, whether or not the Company shall be the surviving corporation, there shall be any change in the shares of Common Stock by reason of such merger or consolidation, or in the event that all or substantially all of the assets of the Company are acquired by another person, or in the event of a reorganization or liquidation of the Company (each such event being hereinafter referred to as a "Reorganization Event") or in the event that the Board shall propose that the Company enter into a Reorganization Event, then the Committee may in its discretion, by written notice to a grantee, provide that his options will be terminated unless exercised within 30 days (or such longer period as the Committee shall determine in its sole discretion) after the date of such notice; provided that if, and to the extent that, the Committee takes such action with respect to the grantee's options not yet exercisable, the Committee shall also accelerate the dates upon which such options shall be exercisable. The Committee also may in its discretion by written notice to a grantee provide that all or some of the restrictions on any of the grantee's awards may lapse in

the event of a Reorganization Event upon such terms and conditions as the Committee may determine.

(b) Whenever deemed appropriate by the Committee, the actions referred to in Section 4.11(a) may be made conditional upon the consummation of the applicable Reorganization Event.

4.12. Section Headings. The section headings contained herein are for the purposes of convenience only and are not intended to define or limit the contents of said sections.

4.13. Effective Date and Term of Plan.

(a) The Plan shall be deemed adopted and become effective upon the approval thereof by the shareholders of the Company.

(b) The Plan shall terminate 10 years after the earlier of the date on which it becomes effective or is approved by shareholders, and no awards shall thereafter be made under the Plan. Notwithstanding the foregoing, all awards made under the Plan prior to such termination date shall remain in effect until such awards have been satisfied or terminated in accordance with the terms and provisions of the Plan and the applicable Plan Agreement.

4.14. Governing Law. The Plan shall be governed by the laws of the State of New York applicable to agreements made and to be performed entirely within such state.

ARTICLE 5. STOCK OPTIONS GRANTED TO INDEPENDENT DIRECTORS

5.1. Automatic Grant of Options. Each Independent Director appointed or elected for the first time shall automatically be granted (under this Plan or another Company stock option plan) a NQSO to purchase 7,500 shares of Common Stock on his date of appointment or election. Each Independent Director who is serving as Director of the Company on the fifth business day after each annual meeting of shareholders shall, on such day, automatically be granted (under this Plan or another Company stock option plan) NQSOs to acquire 6,250 shares of Common Stock; provided, however, that an Independent Director who is appointed or elected for the first time shall not be eligible to receive NQSOs pursuant to this sentence for the year of his initial appointment or election. The exercise price per share for the Common Stock covered by a NQSO granted pursuant to this Section 5.1 shall be equal to the FMV of the Common Stock on the date the NQSO is granted.

5.2. Exercise; Termination; Non-Transferability

(a) All NQSOs granted under this Article 5 shall be immediately exercisable. No NQSO issued under this Article 5 shall be exercisable after the expiration of ten years from the date upon which such NQSO is granted.

(b) The rights of an Independent Director in a NQSO granted under this Article 5 shall terminate twelve months after such Director ceases to be a Director of the Company or the specified expiration date, if earlier; provided, however, that such rights shall terminate immediately on the date on which an Independent Director ceases to be a Director by reason of

termination of his directorship on account of any act of (i) fraud or intentional misrepresentation or (ii) embezzlement, misappropriation or conversion of assets or opportunities of the Company or any Affiliate.

(c) No NQSO granted under this Article 5 shall be transferable by the grantee otherwise than by will or by the laws of descent and distribution, and such grantee shall be exercisable during the grantee's lifetime only by the grantee. Any NQSO granted to an Independent Director and outstanding on the date of his death may be exercised by the legal representative or legatee of the grantee for the period of twelve months from the date of death or until the expiration of the stated term of the option, if earlier.

(d) NQSOs granted under this Article 5 may be exercised only by written notice to the Company specifying the number of shares to be purchased. Payment of the full purchase price of the shares to be purchased may be made by certified or official bank check payable to the Company. A grantee shall have the rights of a stockholder only as to shares acquired upon the exercise of a NQSO and not as to unexercised NQSOs.

5.3. Adjustments Upon Changes in Capitalization. The number of shares of Common Stock subject to awards and the option exercise price of NQSOs theretofore granted under this Article 5, and the amount payable by a grantee in respect of an award, shall be appropriately adjusted for any change in the number of issued shares of Common Stock resulting from the subdivision or combination of shares of Common Stock or other capital adjustments, or the payment of a stock dividend after the effective date of the Plan, or other change in such shares of Common Stock effected without receipt of consideration by the Company; provided that any awards covering fractional shares of Common Stock resulting from any such adjustment shall be eliminated.

5.4 Limited to Independent Directors. The provisions of this Article 5 shall apply only to NQSOs granted or to be granted to Independent Directors, shall be interpreted as if this Article 5 constituted a separate plan of the Company and shall not be deemed to modify, limit or otherwise apply to any other provision of this Plan or to any NQSO issued under this Plan to a participant who is not an Independent Director of the Company. To the extent inconsistent with the provisions of any other Section of this Plan, the provisions of this Article 5 shall govern the rights and obligations of the Company and Independent Directors respecting NQSOs granted or to be granted to Independent Directors. The provisions of this Article 5 shall not be amended more than once every six months other than to comport with changes in applicable law.

As Amended Through March 5, 2001

ARTICLE 1. GENERAL

1.1. Purpose. The purpose of the Reckson Associates Realty Corp. 1997 Stock Option Plan (the "Plan") is to provide for certain officers, directors and key employees, as defined in Section 1.3, of Reckson Associates Realty Corp. (the "Company") and certain of its Affiliates (as defined below) an equity-based incentive to maintain and enhance the performance and profitability of the Company. It is the further purpose of this Plan to permit the granting of awards that will constitute performance based compensation for certain executive officers, as described in Section 162(m) of the Internal Revenue Code of 1986, as amended (the "Code"), and regulations promulgated thereunder.

1.2. Administration.

(a) The Plan shall be administered by the Compensation Committee (the "Committee") of the Board of Directors of the Company (the "Board"), which Committee shall consist of two or more directors, or by the Board. It is intended that the directors appointed to serve on the Committee shall be "non-employee directors" (within the meaning of Rule 16b-3 promulgated under the Securities Exchange Act of 1934 (the "Act")) and "outside directors" (within the meaning of Code Section 162(m)); however, the mere fact that a Committee member shall fail to qualify under either of these requirements shall not invalidate any award made by the Committee which award is otherwise validly made under the Plan. The members of the Committee shall be appointed by, and may be changed at any time and from time to time in the discretion of, the Board.

(b) The Committee shall have the authority (i) to exercise all of the powers granted to it under the Plan, (ii) to construe, interpret and implement the Plan and any Plan Agreements (as defined below) executed pursuant to the Plan, (iii) to prescribe, amend and rescind rules relating to the Plan, (iv) to make any determination necessary or advisable in administering the Plan, (v) to correct any defect, supply any omission and reconcile any inconsistency in the Plan and (vi) to delegate to Donald J. Rechler and Scott H. Rechler (the "Proper Officers") its authority to grant awards under the Plan to key employees, excluding those employees who are executive officers ("Non-Executive Officers"), provided that (a) the aggregate number of shares of Common Stock granted to any Non-Executive Officer during any calendar year shall not exceed 100,000 shares and (b) the Proper Officers shall report quarterly to the Committee regarding the material terms of awards granted to any Non-Executive Officers. The Committee shall have no authority to interpret or administer Article 5 of the Plan or to take any action with respect to any awards thereunder.

(c) The determination of the Committee on all matters relating to the Plan or any Plan Agreement shall be conclusive.

(d) No member of the Committee shall be liable for any action or determination made in good faith with respect to the Plan or any award hereunder.

(e) Notwithstanding anything to the contrary contained herein, the Board may, in its sole discretion, at any time and from time to time, resolve to administer the Plan, in which case, the term Committee as used herein shall be deemed to mean the Board.

1.3. Persons Eligible for Awards. Awards under the Plan may be made to such officers, directors and key employees ("key personnel") of the Company or its Affiliates as the Committee shall from time to time in its sole discretion select. No member of the Board who is not an officer or employee of the Company or an Affiliate (an "Independent Director") shall be eligible to receive any Awards under the Plan, except for non-qualified stock options granted automatically under the provisions of Article 5 of the Plan.

1.4. Types of Awards Under Plan.

(a) Awards may be made under the Plan in the form of (i) stock options ("options"), (ii) restricted stock awards and (iii) unrestricted stock awards, in lieu of cash compensation, all as more fully set forth in Articles 2 and 3.

(b) Options granted under the Plan may be either (i) "nonqualified" stock options ("NQSOs") or (ii) options intended to qualify for incentive stock option treatment described in Code Section 422 ("ISOs"). Grants of options made under the Plan may also be made in lieu of cash fees otherwise payable to Directors of the Company or cash bonuses payable to employees of the Company or any Affiliate.

(c) All options when granted are intended to be NQSOs, unless the applicable Plan Agreement explicitly states that the option is intended to be an ISO. If an option is intended to be an ISO, and if for any reason such option (or any portion thereof) shall not qualify as an ISO, then, to the extent of such nonqualification, such option (or portion) shall be regarded as a NQSO appropriately granted under the Plan provided that such option (or portion) otherwise meets the Plan's requirements relating to NQSOs.

1.5. Shares Available for Awards.

(a) Subject to Section 4.5 (relating to adjustments upon changes in capitalization), as of any date the total number of shares of Common Stock with respect to which awards may be granted under the Plan, shall equal the excess (if any) of 3,000,000 shares of Common Stock, over (i) the number of shares of Common Stock subject to outstanding awards, (ii) the number of shares in respect of which options have been exercised, or grants of restricted or unrestricted

Common Stock have been made pursuant to the Plan, and (iii) the number of shares issued subject to forfeiture restrictions which have lapsed.

In accordance with (and without limitation upon) the preceding sentence, awards may be granted in respect of the following shares of Common Stock: shares covered by previously-granted awards that have expired, terminated or been cancelled for any reason whatsoever (other than by reason of exercise or vesting).

(b) In any year, a person eligible for awards under the Plan may not be granted options under the Plan covering a total of more than 150,000 shares of Common Stock.

(c) Shares of Common Stock that shall be subject to issuance pursuant to the Plan shall be authorized and unissued or treasury shares of Common Stock, or shares of Common Stock purchased on the open market or from shareholders of the Company for such purpose.

(d) Without limiting the generality of the foregoing, the Committee may, with the grantee's consent, cancel any award under the Plan and issue a new award in substitution therefor upon such terms as the Committee may in its sole discretion determine, provided that the substituted award shall satisfy all applicable Plan requirements as of the date such new award is made.

1.6. Definitions of Certain Terms.

(a) The term "Affiliate" as used herein means Reckson Operating Partnership, L.P., Reckson FS Limited Partnership, RANY Management Group, Inc., Reckson Finance, Inc., Reckson Management Group, Inc., Reckson Construction Group, Inc., and any person or entity as subsequently approved by the Board which, at the time of reference, directly, or indirectly through one or more intermediaries, controls, is controlled by, or is under common control with, the Company.

(b) The term "Cause" shall mean a finding by the Committee that the recipient of an award under the Plan has (i) acted with gross negligence or willful misconduct in connection with the performance of his material duties to the Company or its Affiliates; (ii) defaulted in the performance of his material duties to the Company or its Affiliates and has not corrected such action within 15 days of receipt of written notice thereof; (iii) willfully acted against the best interests of the Company or its Affiliates, which act has had a material and adverse impact on the financial affairs of the Company or its Affiliates; or (iv) been convicted of a felony or committed a material act of common law fraud against the Company, its Affiliates or their employees and such act or conviction has, or the Committee reasonably determines will have, a material adverse effect on the interests of the Company or its Affiliates.

(c) The term "Common Stock" as used herein means the shares of Class A common stock of the Company as constituted on the effective date of the Plan, and any other shares into which such common stock shall thereafter be changed by reason of a recapitalization, merger, consolidation, split-up, combination, exchange of shares or the like.

(d) The "fair market value" (or "FMV") as of any date and in respect of any share of Common Stock shall be:

(i) if the Common Stock is listed for trading on the New York Stock Exchange, the closing price, regular way, of the Common Stock as reported on the New York Stock Exchange Composite Tape, or if no such reported sale of the Common Stock shall have occurred on such date, on the next preceding date on which there was such a reported sale; or

(ii) the Common Stock is not so listed but is listed on another national securities exchange or authorized for quotation on the National Association of Securities Dealers Inc.'s NASDAQ National Market System ("NASDAQ/NMS"), the closing price, regular way, of the Common Stock on such exchange or NASDAQ/NMS, as the case may be, on which the largest number of shares of Common Stock have been traded in the aggregate on the preceding twenty trading days, or if no such reported sale of the Stock shall have occurred on such date on such exchange or NASDAQ/NMS, as the case may be, on the preceding date on which there was such a reported sale on such exchange or NASDAQ/NMS, as the case may be; or

(iii) if the Stock is not listed for trading on a national securities exchange or authorized for quotation on NASDAQ/NMS, the average of the closing bid and asked prices as reported by the National Association of Securities Dealers Automated Quotation System ("NASDAQ") or, if no such prices shall have been so reported for such date, on the next preceding date for which such prices were so reported.

1.7. Agreements Evidencing Awards.

(a) Options and restricted stock awards granted under the Plan shall be evidenced by written agreements. Any such written agreements shall (i) contain such provisions not inconsistent with the terms of the Plan as the Committee may in its sole discretion deem necessary or desirable and (ii) be referred to herein as "Plan Agreements."

(b) Each Plan Agreement shall set forth the number of shares of Common Stock subject to the award granted thereby.

(c) Each Plan Agreement with respect to the granting of an option shall set forth the amount (the "option exercise price") payable by the grantee to the Company in connection with the exercise of the option evidenced thereby. The option exercise price per share shall not be less than 100% of the fair market value of a share of Common Stock on the date the option is granted.

ARTICLE 2. STOCK OPTIONS

2.1. Option Awards.

(a) Grant of Stock Options. The Committee may grant options to purchase shares of Common Stock in such amounts and subject to such terms and conditions as the Committee shall from time to time in its sole discretion determine, subject to the terms of the Plan.

(b) Dividend Equivalent Rights. To the extent expressly provided by the Committee at the time of the grant, each NQSO granted under this Section 2.1 shall also generate Dividend Equivalent Rights ("DERs"), which shall entitle the grantee to receive an additional share of Common Stock for each DER received upon the exercise of the NQSO, at no additional cost, based on the formula set forth herein. As of the last business day of each calendar quarter, the amount of dividends paid by the Company on each share of Common Stock with respect to that

quarter shall be divided by the FMV per share to determine the actual number of DERs accruing on each share subject to the NQSO. Such amount of DERs shall be multiplied by the number of shares covered by the NQSO to determine the number of DERs which accrued during such quarter. The provisions of this Section 2.1(b) shall not be amended more than once every six months other than to comport with changes in applicable law.

For example. Assume that a grantee holds a NQSO to purchase 600 shares of Common Stock. Further assume that the dividend per share for the first quarter was \$0.10, and that the FMV per share on the last business day of the quarter was \$20. Therefore, .005 DER would accrue per share for that quarter and such grantee would receive three DERs for that quarter (600 X .005). For purposes of determining how many DERs would accrue during the second quarter, the NQSO would be considered to be for 603 shares of Common Stock.

2.2. Exercisability of Options. Subject to the other provisions of the Plan:

(a) Exercisability Determined by Plan Agreement. Each Plan Agreement shall set forth the period during which and the conditions subject to which the option shall be exercisable (including, but not limited to vesting of such options), as determined by the Committee in its discretion.

(b) Partial Exercise Permitted. Unless the applicable Plan Agreement otherwise provides, an option granted under the Plan may be exercised from time to time as to all or part of the full number of shares for which such option is then exercisable, in which event the DERs relating to the portion of the option being exercised shall also be exercised.

(c) Notice of Exercise; Exercise Date.

(i) An option shall be exercisable by the filing of a written notice of exercise with the Company, on such form and in such manner as the Committee shall in its sole discretion prescribe, and by payment in accordance with Section 2.4.

(ii) Unless the applicable Plan Agreement otherwise provides, or the Committee in its sole discretion otherwise determines, the date of exercise of an option shall be the date the Company receives such written notice of exercise and payment.

2.3. Limitation on Exercise. Notwithstanding any other provision of the Plan, no Plan Agreement shall permit an ISO to be exercisable more than 10 years after the date of grant.

2.4. Payment of Option Price.

(a) Tender Due Upon Notice of Exercise. Unless the applicable Plan Agreement otherwise provides or the Committee in its sole discretion otherwise determines, any written notice of exercise of an option shall be accompanied by payment of the full purchase price for the shares being purchased.

(b) Manner of Payment. Payment of the option exercise price shall be made in any combination of the following:

(i) by certified or official bank check payable to the Company (or the equivalent thereof acceptable to the Committee);

(ii) by personal check (subject to collection), which may in the Committee's discretion be deemed conditional;

(iii) with the consent of the Committee in its sole discretion, by delivery of previously acquired shares of Common Stock owned by the grantee for at least six months having a fair market value (determined as of the option exercise date) equal to the portion of the option exercise price being paid thereby, provided that the Committee may require the grantee to furnish an opinion of counsel acceptable to the Committee to the effect that such delivery would not result in the grantee incurring any liability under Section 16(b) of the Act and does not require any Consent (as defined in Section 4.2); and

(iv) with the consent of the Committee in its sole discretion, by the full recourse promissory note and agreement of the grantee providing for payment with interest on the unpaid balance accruing at a rate not less than that needed to avoid the imputation of income under Code Section 7872 and upon such terms and conditions (including the security, if any, therefor) as the Committee may determine; and

(v) by withholding shares of Common Stock from the shares otherwise issuable pursuant to the exercise.

(c) Cashless Exercise. Payment in accordance with Section 2.4(b) may be deemed to be satisfied, if and to the extent provided in the applicable Plan Agreement, by delivery to the Company of an assignment of a sufficient amount of the proceeds from the sale of Common Stock acquired upon exercise to pay for all of the Common Stock acquired upon exercise and an authorization to the broker or selling agent to pay that amount to the Company, which sale shall be made at the grantee's direction at the time of exercise, provided that the Committee may require the grantee to furnish an opinion of counsel acceptable to the Committee to the effect that such delivery would not result in the grantee incurring any liability under Section 16 of the Act and does not require any Consent (as defined in Section 4.2).

(d) Issuance of Shares. As soon as practicable after receipt of full payment, the Company shall, subject to the provisions of Section 4.2, deliver to the grantee one or more certificates for the shares of Common Stock so purchased, which certificates may bear such legends as the Company may deem appropriate concerning restrictions on the disposition of the shares in accordance with applicable securities laws, rules and regulations or otherwise.

2.5. Default Rules Concerning Termination of Employment.

Subject to the other provisions of the Plan and unless the applicable Plan Agreement otherwise provides:

(a) General Rule. All options granted to a grantee shall terminate upon the grantee's termination of employment for any reason except to the extent post-employment exercise of the option is permitted in accordance with this Section 2.5.

(b) Termination for Cause. All unexercised or unvested options granted to a grantee shall terminate and expire on the day a grantee's employment is terminated for Cause.

(c) Regular Termination; Leave of Absence. If the grantee's employment terminates for any reason other than as provided in subsection (b), (d) or (f) of this Section 2.5, any awards granted to such grantee which were exercisable immediately prior to such termination of employment may be exercised, and any awards subject to vesting may continue to vest, until the earlier of either: (i) 90 days after the grantee's termination of employment and (ii) the date on which such options terminate or expire in accordance with the provisions of the Plan (other than this Section 2.5) and the Plan Agreement; provided that the Committee may, in its sole discretion, determine such other period for exercise in the case of a grantee whose employment terminates solely because the grantee's employer ceases to be an Affiliate or the grantee transfers employment with the Company's consent to a purchaser of a business disposed of by the Company. The Committee may, in its sole discretion, determine (i) whether any leave of absence (including short-term or long-term disability or medical leave) shall constitute a termination of employment for purposes of the Plan and (ii) the effect, if any, of any such leave on outstanding awards under the Plan.

(d) Retirement. If a grantee's employment terminates by reason of retirement (i.e., the voluntary termination of employee by a grantee after attaining the age of 55), the options exercisable by the grantee immediately prior to the grantee's retirement shall be exercisable by the grantee until the earlier of (i) 36 months after the grantee's retirement and (ii) the date on which such options terminate or expire in accordance with the provisions of the Plan (other than this Section 2.5) and the Plan Agreement.

(e) Death After Termination. If a grantee's employment terminates in the manner described in subsections (c) or (d) of this Section 2.5 and the grantee dies within the period for exercise provided for therein, the options exercisable by the grantee immediately prior to the grantee's death shall be exercisable by the personal representative of the grantee's estate or by the person to whom such options pass under the grantee's will (or, if applicable, pursuant to the laws of descent and distribution) until the earlier of (i) 12 months after the grantee's death and (ii) the date on which such options terminate or expire in accordance with the provisions of subsections (c) or (d) of this Section 2.5.

(f) Death Before Termination. If a grantee dies while employed by the Company or any Affiliate, all options granted to the grantee but not exercised before the death of the grantee, whether or not exercisable by the grantee before the grantee's death, shall immediately become and be exercisable by the personal representative of the grantee's estate or by the person to whom such options pass under the grantee's will (or, if applicable, pursuant to the laws of descent and distribution) until the earlier of (i) 12 months after the grantee's death and (ii) the date on which such options terminate or expire in accordance with the provisions of the Plan (other than this Section 2.5) and the Plan Agreement.

2.6. Special ISO Requirements. In order for a grantee to receive special tax treatment with respect to stock acquired under an option intended to be an ISO, the grantee of such option must be, at all times during the period beginning on the date of grant and ending on the day three months before the date of exercise of such option, an employee of the Company or any of the Company's parent or subsidiary corporations (within the meaning of Code Section 424), or of a corporation or a parent or subsidiary corporation of such corporation issuing or assuming a stock option in a transaction to which Code Section 424(a) applies. If an option granted under the Plan is intended to be an ISO, and if the grantee, at the time of grant, owns stock possessing more than 10% of the total combined voting power of all classes of stock of the grantee's employer corporation or of its parent or subsidiary corporation, then (i) the option exercise price per share shall in no event be less than 110% of the fair market value of the Common Stock on the date of such grant and (ii) such option shall not be exercisable after the expiration of five years after the date such option is granted.

ARTICLE 3. RESTRICTED STOCK AND UNRESTRICTED STOCK AWARDS

3.1. Restricted Stock Awards.

(a) Grant of Awards. The Committee may grant restricted stock awards, alone or in tandem with other awards, under the Plan in such amounts and subject to such terms and conditions as the Committee shall from time to time in its sole discretion determine; provided, however, that the grant of any such restricted stock awards may be made in lieu of, or in tandem with other, cash compensation and bonuses. The vesting of a restricted stock award granted under the Plan may be conditioned upon the completion of a specified period of employment with the Company or any Affiliate, upon the attainment of specified performance goals, and/or upon such other criteria as the Committee may determine in its sole discretion.

(b) Payment. Each Plan Agreement with respect to a restricted stock award shall set forth the amount (if any) to be paid by the grantee with respect to such award. If a grantee makes any payment for a restricted stock award which does not vest, appropriate payment may be made to the grantee following the forfeiture of such award on such terms and conditions as the Committee may determine. The Committee shall have the authority to make or authorize loans to finance, or to otherwise accommodate the financing of, the acquisition or exercise of a restricted stock award.

(c) Forfeiture upon Termination of Employment. Unless the applicable Plan Agreement otherwise provides or the Committee otherwise determines, (i) if a grantee's employment terminates for any reason (including death) before all of his restricted stock awards have vested, such awards shall terminate and expire upon such termination of employment, and (ii) in the event any condition to the vesting of restricted stock awards is not satisfied within the period of time permitted therefor, such unvested shares shall be returned to the Company.

(d) Issuance of Shares. The Committee may provide that one or more certificates representing restricted stock awards shall be registered in the grantee's name and bear an appropriate legend specifying that such shares are not transferable and are subject to the terms and conditions of the Plan and the applicable Plan Agreement, or that such certificate or certificates shall be held in escrow by the Company on behalf of the grantee until such shares

vest or are forfeited, all on such terms and conditions as the Committee may determine. Unless the applicable Plan Agreement otherwise provides, no share of restricted stock may be assigned, transferred, otherwise encumbered or disposed of by the grantee until such share has vested in accordance with the terms of such award. Subject to the provisions of Section 4.2, as soon as practicable after any restricted stock award shall vest, the Company shall issue or reissue to the grantee (or to the grantee's designated beneficiary in the event of the grantee's death) one or more certificates for the Common Stock represented by such restricted stock award.

(e) Grantees' Rights Regarding Restricted Stock. Unless the applicable Plan Agreement otherwise provides: (i) a grantee may vote and receive dividends on restricted stock awarded under the Plan; and (ii) any stock received as a distribution with respect to a restricted stock award shall be subject to the same restrictions as such restricted stock.

3.2. Unrestricted Stock. The Committee may issue unrestricted stock under the Plan, alone or in tandem with other awards, in such amounts and subject to such terms and conditions as the Committee shall from time to time in its sole discretion determine; provided, however, that the grant of any such unrestricted stock awards may be made in lieu of, or in tandem with other, cash compensation and bonuses. The Committee shall have the authority to make or authorize loans to finance, or to otherwise accommodate the financing of, the acquisition or exercise of an unrestricted stock award.

ARTICLE 4. MISCELLANEOUS

4.1. Amendment of the Plan; Modification of Awards.

(a) Plan Amendments. The Board may, without stockholder approval, at any time and from time to time suspend, discontinue or amend the Plan in any respect whatsoever, except that no such amendment shall impair any rights under any award theretofore made under the Plan without the consent of the grantee of such award. Furthermore, except as and to the extent otherwise permitted by Section 4.5 or 4.11, no such amendment shall, without stockholder approval:

(i) materially increase the benefits accruing to grantees under the Plan;

(ii) increase the maximum number of shares which may be made subject to awards to an individual as options in any year;

(iii) materially increase, beyond the amounts set forth in Section 1.5, the number of shares of Common Stock in respect of which awards may be issued under the Plan;

(iv) materially modify the designation in Section 1.3 of the class of persons eligible to receive awards under the Plan;

(v) provide for the grant of stock options having an option exercise price per share of Common Stock less than 100% of the fair market value of a share of Common Stock on the date of grant; or

(vi) extend the term of the Plan beyond the period set forth in Section 4.13.

(b) Award Modifications. Subject to the terms and conditions of the Plan (including Section 4.1(a)), the Committee may amend outstanding Plan Agreements with such grantee, including, without limitation, any amendment which would (i) accelerate the time or times at which an award may vest or become exercisable and/or (ii) extend the scheduled termination or expiration date of the award, provided, however, that no modification having a material adverse effect upon the interest of a grantee in an award shall be made without the consent of such grantee.

4.2. Restrictions.

(a) Consent Requirements. If the Committee shall at any time determine that any Consent (as hereinafter defined) is necessary or desirable as a condition of, or in connection with, the granting of any award under the Plan, the acquisition, issuance or purchase of shares or other rights hereunder or the taking of any other action hereunder (each such action being hereinafter referred to as a "Plan Action"), then such Plan Action shall not be taken, in whole or in part, unless and until such Consent shall have been effected or obtained to the full satisfaction of the Committee. Without limiting the generality of the foregoing, the Committee shall be entitled to determine not to make any payment whatsoever until Consent has been given if (i) the Committee may make any payment under the Plan in cash, Common Stock or both, and (ii) the Committee determines that Consent is necessary or desirable as a condition of, or in connection with, payment in any one or more of such forms.

(b) Consent Defined. The term "Consent" as used herein with respect to any Plan Action means (i) any and all listings, registrations or qualifications in respect thereof upon any securities exchange or other self-regulatory organization or under any federal, state or local law, rule or regulation, (ii) the expiration, elimination or satisfaction of any prohibitions, restrictions or limitations under any federal, state or local law, rule or regulation or the rules of any securities exchange or other self-regulatory organization, (iii) any and all written agreements and representations by the grantee with respect to the disposition of shares, or with respect to any other matter, which the Committee shall deem necessary or desirable to comply with the terms of any such listing, registration or qualification or to obtain an exemption from the requirement that any such listing, qualification or registration be made, and (iv) any and all consents, clearances and approvals in respect of a Plan Action by any governmental or other regulatory bodies or any parties to any loan agreements or other contractual obligations of the Company or any Affiliate.

4.3. Nontransferability. No award granted to any grantee under the Plan or under any Plan Agreement shall be assignable or transferable by the grantee other than by will or by the laws of descent and distribution. During the lifetime of the grantee, all rights with respect to any award granted to the grantee under the Plan or under any Plan Agreement shall be exercisable only by the grantee.

4.4. Withholding Taxes.

(a) Whenever under the Plan shares of Common Stock are to be delivered pursuant to an award, the Committee may require as a condition of delivery that the grantee remit an amount

sufficient to satisfy all federal, state and other governmental withholding tax requirements related thereto. Whenever cash is to be paid under the Plan, the Company may, as a condition of its payment, deduct therefrom, or from any salary or other payments due to the grantee, an amount sufficient to satisfy all federal, state and other governmental withholding tax requirements related thereto or to the delivery of any shares of Common Stock under the Plan.

(b) Without limiting the generality of the foregoing, (i) a grantee may elect to satisfy all or part of the foregoing withholding requirements by delivery of unrestricted shares of Common Stock owned by the grantee for at least six months (or such other period as the Committee may determine) having a fair market value (determined as of the date of such delivery by the grantee) equal to all or part of the amount to be so withheld, provided that the Committee may require, as a condition of accepting any such delivery, the grantee to furnish an opinion of counsel acceptable to the Committee to the effect that such delivery would not result in the grantee incurring any liability under Section 16(b) of the Act and (ii) the Committee may permit any such delivery to be made by withholding shares of Common Stock from the shares otherwise issuable pursuant to the award giving rise to the tax withholding obligation (in which event the date of delivery shall be deemed the date such award was exercised).

4.5. Adjustments Upon Changes in Capitalization. If and to the extent specified by the Committee, the number of shares of Common Stock which may be issued pursuant to awards under the Plan, the maximum number of options which may be granted to any one person in any year, the number of shares of Common Stock subject to awards, the option exercise price of options theretofore granted under the Plan, and the amount payable by a grantee in respect of an award, shall be appropriately adjusted (as the Committee may determine) for any change in the number of issued shares of Common Stock resulting from the subdivision or combination of shares of Common Stock or other capital adjustments, or the payment of a stock dividend after the effective date of the Plan, or other change in such shares of Common Stock effected without receipt of consideration by the Company; provided that any awards covering fractional shares of Common Stock resulting from any such adjustment shall be eliminated and provided further, that each ISO granted under the Plan shall not be adjusted in a manner that causes such option to fail to continue to qualify as an ISO within the meaning of Code Section 422. Adjustments under this Section shall be made by the Committee, whose determination as to what adjustments shall be made, and the extent thereof, shall be final, binding and conclusive.

4.6. Right of Discharge Reserved. Nothing in the Plan or in any Plan Agreement shall confer upon any person the right to continue in the employment of the Company or an Affiliate or affect any right which the Company or an Affiliate may have to terminate the employment of such person.

4.7. No Rights as a Stockholder. No grantee or other person shall have any of the rights of a stockholder of the Company with respect to shares subject to an award until the issuance of a stock certificate to him for such shares. Except as otherwise provided in Section 4.5, no adjustment shall be made for dividends, distributions or other rights (whether ordinary or extraordinary, and whether in cash, securities or other property) for which the record date is prior to the date such stock certificate is issued. In the case of a grantee of an award which has not yet vested, the grantee shall have the rights of a stockholder of the Company if and only to the extent provided in the applicable Plan Agreement.

4.8. Nature of Payments.

(a) Any and all awards or payments hereunder shall be granted, issued, delivered or paid, as the case may be, in consideration of services performed for the Company or for its Affiliates by the grantee.

(b) No such awards and payments shall be considered special incentive payments to the grantee or, unless otherwise determined by the Committee, be taken into account in computing the grantee's salary or compensation for the purposes of determining any benefits under (i) any pension, retirement, life insurance or other benefit plan of the Company or any Affiliate or (ii) any agreement between the Company or any Affiliate and the grantee.

(c) By accepting an award under the Plan, the grantee shall thereby waive any claim to continued exercisability or vesting of an award or to damages or severance entitlement related to non-continuation of the award beyond the period provided herein or in the applicable Plan Agreement, notwithstanding any contrary provision in any written employment contract with the grantee, whether any such contract is executed before or after the grant date of the award.

4.9. Non-Uniform Determinations. The Committee's determinations under the Plan need not be uniform and may be made by it selectively among persons who receive, or are eligible to receive, awards under the Plan (whether or not such persons are similarly situated). Without limiting the generality of the foregoing, the Committee shall be entitled, among other things, to make non-uniform and selective determinations, and to enter into non-uniform and selective Plan Agreements, as to (a) the persons to receive awards under the Plan, (b) the terms and provisions of awards under the Plan, and (c) the treatment of leaves of absence pursuant to Section 2.7(c).

4.10. Other Payments or Awards. Nothing contained in the Plan shall be deemed in any way to limit or restrict the Company, any Affiliate or the Committee from making any award or payment to any person under any other plan, arrangement or understanding, whether now existing or hereafter in effect.

4.11. Reorganization.

(a) In the event that the Company is merged or consolidated with another corporation and, whether or not the Company shall be the surviving corporation, there shall be any change in the shares of Common Stock by reason of such merger or consolidation, or in the event that all or substantially all of the assets of the Company are acquired by another person, or in the event of a reorganization or liquidation of the Company (each such event being hereinafter referred to as a "Reorganization Event") or in the event that the Board shall propose that the Company enter into a Reorganization Event, then the Committee may in its discretion, by written notice to a grantee, provide that his options will be terminated unless exercised within 30 days (or such longer period as the Committee shall determine in its sole discretion) after the date of such notice; provided that if, and to the extent that, the Committee takes such action with respect to the grantee's options not yet exercisable, the Committee shall also accelerate the dates upon which such options shall be exercisable. The Committee also may in its discretion by written notice to a grantee provide that all or some of the restrictions on any of the grantee's awards may lapse in

the event of a Reorganization Event upon such terms and conditions as the Committee may determine.

(b) Whenever deemed appropriate by the Committee, the actions referred to in Section 4.11(a) may be made conditional upon the consummation of the applicable Reorganization Event.

4.12. Section Headings. The section headings contained herein are for the purposes of convenience only and are not intended to define or limit the contents of said sections.

4.13. Effective Date and Term of Plan.

(a) The Plan shall be deemed adopted and become effective upon the approval thereof by the shareholders of the Company.

(b) The Plan shall terminate 10 years after the earlier of the date on which it becomes effective or is approved by shareholders, and no awards shall thereafter be made under the Plan. Notwithstanding the foregoing, all awards made under the Plan prior to such termination date shall remain in effect until such awards have been satisfied or terminated in accordance with the terms and provisions of the Plan and the applicable Plan Agreement.

4.14. Governing Law. The Plan shall be governed by the laws of the State of New York applicable to agreements made and to be performed entirely within such state.

ARTICLE 5. STOCK OPTIONS GRANTED TO INDEPENDENT DIRECTORS

5.1. Automatic Grant of Options. Each Independent Director appointed or elected for the first time shall automatically be granted (under this Plan or another Company stock option plan) a NQSO to purchase 7,500 shares of Common Stock on his date of appointment or election. Each Independent Director who is serving as Director of the Company on the fifth business day after each annual meeting of shareholders shall, on such day, automatically be granted (under this Plan or another Company stock option plan) NQSOs to acquire 6,250 shares of Common Stock; provided, however, that an Independent Director who is appointed or elected for the first time shall not be eligible to receive NQSOs pursuant to this sentence for the year of his initial appointment or election. The exercise price per share for the Common Stock covered by a NQSO granted pursuant to this Section 5.1 shall be equal to the FMV of the Common Stock on the date the NQSO is granted.

5.2. Exercise; Termination; Non-Transferability

(a) All NQSOs granted under this Article 5 shall be immediately exercisable. No NQSO issued under this Article 5 shall be exercisable after the expiration of ten years from the date upon which such NQSO is granted.

(b) The rights of an Independent Director in a NQSO granted under this Article 5 shall terminate twelve months after such Director ceases to be a Director of the Company or the specified expiration date, if earlier; provided, however, that such rights shall terminate immediately on the date on which an Independent Director ceases to be a Director by reason of

termination of his directorship on account of any act of (i) fraud or intentional misrepresentation or (ii) embezzlement, misappropriation or conversion of assets or opportunities of the Company or any Affiliate.

(c) No NQSO granted under this Article 5 shall be transferable by the grantee otherwise than by will or by the laws of descent and distribution, and such grantee shall be exercisable during the grantee's lifetime only by the grantee. Any NQSO granted to an Independent Director and outstanding on the date of his death may be exercised by the legal representative or legatee of the grantee for the period of twelve months from the date of death or until the expiration of the stated term of the option, if earlier.

(d) NQSOs granted under this Article 5 may be exercised only by written notice to the Company specifying the number of shares to be purchased. Payment of the full purchase price of the shares to be purchased may be made by certified or official bank check payable to the Company. A grantee shall have the rights of a stockholder only as to shares acquired upon the exercise of a NQSO and not as to unexercised NQSOs.

5.3. Adjustments Upon Changes in Capitalization. The number of shares of Common Stock subject to awards and the option exercise price of NQSOs theretofore granted under this Article 5, and the amount payable by a grantee in respect of an award, shall be appropriately adjusted for any change in the number of issued shares of Common Stock resulting from the subdivision or combination of shares of Common Stock or other capital adjustments, or the payment of a stock dividend after the effective date of the Plan, or other change in such shares of Common Stock effected without receipt of consideration by the Company; provided that any awards covering fractional shares of Common Stock resulting from any such adjustment shall be eliminated.

5.4 Limited to Independent Directors. The provisions of this Article 5 shall apply only to NQSOs granted or to be granted to Independent Directors, shall be interpreted as if this Article 5 constituted a separate plan of the Company and shall not be deemed to modify, limit or otherwise apply to any other provision of this Plan or to any NQSO issued under this Plan to a participant who is not an Independent Director of the Company. To the extent inconsistent with the provisions of any other Section of this Plan, the provisions of this Article 5 shall govern the rights and obligations of the Company and Independent Directors respecting NQSOs granted or to be granted to Independent Directors. The provisions of this Article 5 shall not be amended more than once every six months other than to comport with changes in applicable law.