UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 10-Q

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

For the quarterly period ended June 30, 2005

Commission file number: 1-13762

RECKSON OPERATING PARTNERSHIP, L. P.

(Exact name of registrant as specified in its charter)

Delaware	**11-3233647**
(State or other jurisdiction of incorporation or 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 ☒ No. ☐

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act).

Yes ☐ No ☒

RECKSON OPERATING PARTNERSHIP, L.P.
QUARTERLY REPORT
FOR THE THREE MONTHS ENDED JUNE 30, 2005

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PART I – FINANCIAL INFORMATION
ITEM 1 – FINANCIAL STATEMENTS

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

	June 30, 2005	December 31, 2004
	(unaudited)	
ASSETS:		
Commercial real estate properties, at cost:		
Land	$ 551,269	$ 409,034
Building and improvements	3,111,512	2,706,406
Developments in progress:		
Land	126,375	103,986
Development costs	48,950	29,159
Furniture, fixtures and equipment	12,622	11,935
	3,850,728	3,260,520
Less accumulated depreciation	(623,134)	(563,706)
Investments in real estate, net of accumulated deprecation	3,227,594	2,696,814
Properties and related assets held for sale, net of accumulated depreciation	3,650	4,651
Investment in real estate joint ventures	6,308	6,657
Investment in notes receivable	135,449	85,855
Investments in affiliate loans and joint ventures	66,911	65,186
Cash and cash equivalents	23,672	25,137
Tenant receivables	10,483	9,470
Deferred rents receivable	151,034	133,012
Prepaid expenses and other assets	103,919	63,548
Contract and land deposits and pre-acquisition costs	5,206	121
Deferred leasing and loan costs.	85,162	80,915
TOTAL ASSETS	$ 3,819,388	$ 3,171,366
LIABILITIES:		
Mortgage notes payable	$ 614,834	$ 609,518
Unsecured credit facility	128,000	235,500
Unsecured bridge facility	470,000	—
Senior unsecured notes	979,857	697,974
Liabilities associated with properties held for sale	124	82
Accrued expenses and other liabilities.	88,987	69,939
Deferred revenues and tenant security deposits.	53,942	50,373
Dividends and distributions payable	36,175	35,924
TOTAL LIABILITIES	2,371,919	1,699,310
Minority partners' interests in consolidated partnerships and other interests	214,313	211,178
Commitments and contingencies	—	—
PARTNERS' CAPITAL:		
Preferred capital 1,200 units issued and outstanding	1,200	1,200
General Partners' Capital:	1,201,810	1,206,447
Class A common units, 82,533,774 and 80,618,339 units outstanding, respectively		
Limited Partners' Capital:		
Class A common units, 1,617,675 and 3,093,341 units issued and outstanding, respectively	18,708	46,450
Class C common units, 465,845 units issued and outstanding	11,438	6,781
Total Partners' Capital	1,233,156	1,260,878
TOTAL LIABILITIES AND PARTNERS' CAPITAL	$ 3,819,388	$ 3,171,366

(see accompanying notes to financial statements)

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2005	2004	2005	2004
PROPERTY OPERATING REVENUES:				
Base Rents	$ 123,804	$ 109,265	$ 242,095	$ 219,801
Tenant escalations and reimbursements	17,998	17,452	36,576	35,537
Total property operating revenues	141,802	126,717	278,671	255,338
OPERATING EXPENSES:				
Property operating expenses	53,995	50,369	109,480	101,574
Marketing, general and administrative	8,477	7,354	16,692	14,401
Depreciation and amortization	32,994	28,621	63,069	56,719
Total operating expenses	95,466	86,344	189,241	172,694
Operating income	46,336	40,373	89,430	82,644
NON-OPERATING INCOME AND EXPENSES:				
Interest income on notes receivable (including $418, $539, $1,269 and $1,128, respectively from related parties)	3,333	1,876	5,780	3,492
Investment income and other	486	1,442	1,218	5,489
Interest:				
Expense	(27,257)	(24,607)	(50,825)	(50,268)
Amortization of deferred financing costs	(1,021)	(899)	(2,059)	(1,826)
Total non-operating income and expenses	(24,459)	(22,188)	(45,886)	(43,113)
Income before minority interests, preferred distributions, equity in earnings of real estate joint ventures and discontinued operations	21,877	18,185	43,544	39,531
Minority partners' interests in consolidated partnerships and other interests	(3,986)	(4,422)	(7,854)	(10,603)
Equity in earnings of real estate joint venturesventures	83	294	234	408
Income before discontinued operations and preferred distributions	17,974	14,057	35,924	29,336
Discontinued operations (net of minority interests):				
Income from discontinued operations	181	256	284	898
Gain on sales of real estate	181	3,830	181	9,342
Net income	18,336	18,143	36,389	39,576
Preferred distributions	—	(4,399)	—	(8,932)
Net income allocable to common unitholders	$ 18,336	$ 13,744	$ 36,389	$ 30,644
Net income allocable to:				
Common unitholders	$ 18,225	$ 13,644	$ 36,169	$ 30,411
Class C common unitholders	111	100	220	233
Total	$ 18,336	$ 13,744	$ 36,389	$ 30,644
Net income per weighted average common units:				
Income from continuing operations	$ .22	$ .13	$ .42	$ .30
Discontinued operations	—	.06	.01	.15
Basic net income per common unit	$ .22	$ .19	$ .43	$ .45
Class C common – income from continuing operations	$ .24	$ .15	$ .46	$ .34
Discontinued operations	—	.06	.01	.16
Basic net income per Class C common unit	$ .24	$ .21	$ .47	$ .50
Weighted average common units outstanding:				
Common units	83,998,653	69,976,809	83,923,165	67,212,309
Class C common units	465,845	465,845	465,845	465,845

(see accompanying notes to financial statements)

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RECKSON OPERATING PARTNERSHIP, L.P.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited and in thousands)

	Six Months Ended June 30,	
	2005	**2004**
Cash Flows From Operating Activities:		
Net Income	$ 36,389	$ 39,576
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization (including discontinued operations)	65,579	59,069
Minority partners' interests in consolidated partnerships and other interests	7,854	10,603
Gain on sales of real estate	(181)	(11,330)
Equity in earnings of real estate joint ventures	(205)	(408)
Changes in operating assets and liabilities:		
Deferred rents receivable	(17,444)	(8,983)
Prepaid expenses and other assets	11,894	(8,204)
Tenant receivables	(1,013)	278
Accrued expenses and other liabilities	1,910	(4,013)
Net cash provided by operating activities	104,783	76,588
Cash Flows From Investment Activities:		
Purchases of commercial real estate properties	(547,823)	(72,691)
Additions to developments in progress	(22,590)	(12,977)
Increase in contract and land deposits and pre-acquisition costs	(5,221)	—
Repayments of notes receivable	2,952	2,691
Additions to notes receivable	(50,219)	(15,619)
Additions to commercial real estate properties	(30,491)	(17,802)
Payment of deferred leasing costs	(9,108)	(8,677)
Investments in real estate joint ventures	(6,223)	—
Contributions to a real estate joint venture	—	(150)
Additions to furniture, fixtures and equipment	(606)	(288)
Proceeds from sales of real estate	1,285	57,056
Net cash (used in) investing activities	(668,044)	(68,457)
Cash Flows From Financing Activities:		
Principal payments on secured borrowings	(5,742)	(6,074)
Proceeds from issuance of senior unsecured notes, net of issuance costs	281,750	149,490
Repayment of senior unsecured notes	—	(100,000)
Payment of loan and equity issuance costs	(1,683)	(2,125)
Proceeds from unsecured credit facility	182,000	90,000
Principal payments on unsecured credit facility	(289,500)	(169,000)
Proceeds from unsecured bridge facility	470,000	—
Distributions to minority partners in consolidated partnerships	(5,629)	(22,800)
Contributions	3,369	176,695
Distributions	(72,769)	(64,659)
Net cash provided by financing activities	561,796	51,527
Net (decrease) increase in cash and cash equivalents	(1,465)	59,658
Cash and cash equivalents at beginning of period	25,137	23,012
Cash and cash equivalents at end of period	$ 23,672	$ 82,670

(see accompanying notes to financial statements)

RECKSON OPERATING PARTNERSHIP, L.P.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2005
(Unaudited)

1. ORGANIZATION AND FORMATION OF THE OPERATING PARTNERSHIP

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

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

The Company became the sole general partner of Reckson Operating Partnership, L.P. (the "Operating Partnership") by contributing substantially all of the net proceeds of the IPO in exchange for an approximate 73% interest in the Operating Partnership. All Properties acquired by the Company are held by or through the Operating Partnership. In conjunction with the IPO, the Operating Partnership executed various option and purchase agreements whereby it issued common units of limited partnership interest in the Operating Partnership ("OP Units") to certain continuing investors and assumed certain indebtedness in exchange for (i) interests in certain property partnerships, (ii) fee simple and leasehold interests in properties and development land, (iii) certain other business assets and (iv) 100% of the non-voting preferred stock of the management and construction companies.

2. BASIS OF PRESENTATION

The accompanying interim unaudited financial statements have been prepared by the Operating Partnership's management pursuant to the rules and regulations of the Securities and Exchange Commission. Certain information and footnote disclosure normally included in the financial statements prepared in accordance with U.S. generally accepted accounting principles ("GAAP") may have been condensed or omitted pursuant to such rules and regulations, although management believes that the disclosures are adequate to not make the information presented misleading. The unaudited financial statements at June 30, 2005 and for the three and six month periods ended June 30, 2005 and 2004 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, 2005. These financial statements should be read in conjunction with the Operating Partnership's audited financial statements and the notes thereto included in the Company's Form 10-K for the year ended December 31, 2004.

The accompanying consolidated financial statements include the consolidated financial position of the Operating Partnership and the Service Companies (as defined below) at June 30, 2005 and December 31, 2004 and the consolidated results of their operations for the three and six month periods ended June 30, 2005 and 2004, respectively, and their cash flows for the six months ended June 30, 2005 and 2004, respectively. The Operating Partnership's investments in majority owned and controlled real estate joint ventures are reflected in the accompanying financial statements on a consolidated basis with a reduction for the minority partners' interest. The Operating Partnership's investments in real estate joint ventures, where it owns less than a controlling interest, are reflected in the accompanying financial statements on the equity method of accounting. The Operating Partnership had an investment in a real estate joint venture in which it owned less than a controlling interest and which was reflected in the accompanying financial statements on the equity method of accounting. Commencing June 20, 2005, as a result of the Operating Partnership acquiring the minority partner's interest, the Operating Partnership commenced consolidating the financial results of this investment. The Service Companies which provide management, development and construction services to the Company, the Operating Partnership and to third parties are Reckson Management Group, Inc., RANY Management Group, Inc., Reckson Construction & Development LLC and Reckson Construction Group New York, Inc. (collectively, the "Service Companies"). All significant intercompany balances and transactions have been eliminated in the consolidated financial statements.

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

Use of Estimates

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

Real Estate

Land, buildings and improvements, furniture, fixtures and equipment are recorded at cost. Tenant improvements, which are included in buildings and improvements, are also stated at cost. Expenditures for ordinary maintenance and repairs are expensed to operations as they are incurred. Renovations and / or replacements, which improve or extend the life of the asset, are capitalized and depreciated over their estimated useful lives.

Depreciation is computed utilizing the straight-line method over the estimated useful lives of ten to thirty years for buildings and improvements and five to ten years for furniture, fixtures and equipment. Tenant improvements, which are included in buildings and improvements, are amortized on a straight-line basis over the term of the related leases. Depreciation expense, net of discontinued operations, for each of the three and six month periods ended June 30, 2005 and 2004 amounted to approximately $22.5 million and $43.1 million and $19.6 million and $39.2 million, respectively.

We are required to make subjective assessments as to the useful lives of our properties for purposes of determining the amount of depreciation to reflect on an annual basis with respect to those properties. These assessments have a direct impact on our net income. Should we lengthen the expected useful life of a particular asset, it would be depreciated over more years, and result in less depreciation expense and higher annual net income.

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

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

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

Long Lived Assets

We are required to make subjective assessments as to whether there are impairments in the value of our real estate properties and other investments. An investment’s value is impaired only if management’s estimate of the aggregate future cash flows (undiscounted and without interest charges) to be generated by the investment are less than the carrying value of the investment. Such assessments consider factors such as cash flows, expected future operating income, trends and prospects, as well as the effects of demand, competition and other factors. To the extent impairment has occurred it will be measured as the excess of the carrying amount of the property over the fair value of the property. These assessments have a direct impact on our net income, because recognizing an impairment results in an immediate negative adjustment to net income. In determining impairment, if any, we have followed FASB Statement No. 144, “Accounting for the Impairment or Disposal of Long Lived Assets”. Statement No. 144 did not have an impact on net income allocable to common shareholders. Statement No. 144 only impacts the presentation of the results of operations and gain on sales of real estate assets for those properties sold during the period within the consolidated statements of income.

Cash Equivalents

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

Tenants’ lease security deposits aggregating approximately $4.5 million at June 30, 2005 and December 31, 2004 have been included in cash and cash equivalents on the accompanying balance sheets.

Deferred Costs

Tenant leasing commissions and related costs incurred in connection with leasing tenant space are capitalized and amortized over the life of the related lease. In addition, loan costs incurred in obtaining financing are capitalized and amortized over the term of the related loan.

Costs incurred in connection with equity offerings are charged to stockholders’ equity when incurred.

Income Taxes

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

Revenue Recognition & Accounts Receivable

Minimum rental revenue is recognized on a straight-line basis, which averages minimum rents over the terms of the leases. The excess of rents recognized over amounts contractually due are included in deferred rents receivable on the accompanying balance sheets. Contractually due but unpaid rents are included in tenant receivables on the accompanying balance sheets. Certain lease agreements also provide for reimbursement of real estate taxes, insurance, common area maintenance costs and indexed rental increases, which are recorded on an accrual basis. Ancillary and other property related income is recognized in the period earned.

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

We incurred approximately $657,000 and $1.1 million and $700,000 and $1.8 million of bad debt expense during the three and six month periods ended June 30, 2005 and 2004, respectively, related to tenant receivables which accordingly reduced our total revenues and reported net income during those periods.

We record interest income on our investments in notes receivable on the accrual basis of accounting. We do not accrue interest on impaired loans where, in the judgment of management, collection of interest according to the contractual terms is considered doubtful. Among the factors we consider in making an evaluation of the collectibility of interest are: (i) the status of the loan, (ii) the value of the underlying collateral, (iii) the financial condition of the borrower and (iv) anticipated future events.

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

Gain on sales of real estate are recorded when title is conveyed to the buyer, subject to the buyer's financial commitment being sufficient to provide economic substance to the sale and us having no substantial continuing involvement with the buyer.

We follow the guidance provided for under FASB Statement No. 66 "Accounting for Sales of Real Estate" ("Statement No. 66"), whichprovides guidance on sales contracts that are accompanied by agreements which require the seller to develop the property in the future. Under Statement No. 66, profit is recognized and allocated to the sale of the land and the later development or construction work on the basis of estimated costs of each activity; the same rate of profit is attributed to each activity. As a result, profits are recognized and reflected over the improvement period on the basis of costs incurred (including land) as a percentage of total costs estimated to be incurred. We use the percentage of completion method, as future costs of development and profit are reliably estimated.

Derivative Instruments

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

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

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

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

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

Variable Interest Entities

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

Current pronouncements

In June 2005, the FASB ratified the consensus in EITF Issue No. 04-5, Determining Whether a General Partner, or the General Partners as a Group, Controls a Limited Partnership or Similar Entity When the Limited Partners Have Certain Rights ("Issue 04-5"), which provides guidance in determining whether a general partner controls a limited partnership. Issue 04-5 states that the general partner in a limited partnership is presumed to control that limited partnership. The presumption may be overcome if the limited partners have either (1) the substantive ability to dissolve the limited partnership or otherwise remove the general partner without cause or (2) substantive participating rights, which provide the limited partners with the ability to effectively participate in significant decisions that would be expected to be made in the ordinary course of the limited partnership's business and thereby preclude the general partner from exercising unilateral control over the partnership. The adoption of Issue 04-5 by the Operating Partnership for new or modified limited partnership arrangements is effective June 30, 2005 and for existing limited partnership arrangements effective January 1, 2006. We do not expect that we will be required to consolidate our current unconsolidated joint venture investment nor will Issue 04-05 have a material effect on our consolidated financial statements.

Reclassifications

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

3. MORTGAGE NOTES PAYABLE

On June 20, 2005, in connection with our acquiring our joint venture partner's 40% interest in the property located at 520 White Plains Road, Tarrytown, NY, we assumed approximately $4.1 million of secured mortgage indebtedness of the joint venture. As a result, our total secured debt related to this property at June 30, 2005 was approximately $11.1 million. This mortgage note bears interest at 8.85% per annum and matures on September 1, 2005 at which time the balance will be approximately $10.9 million. We anticipate making a borrowing under our unsecured credit facility to satisfy the mortgage note at its scheduled maturity date.

During the quarterly period ended June 30, 2005 we entered into anticipatory interest rate hedge instruments totaling $250.0 million to protect ourselves against potentially rising interest rates. These instruments were settled prior to their maturity in exchange for a mortgage rate lock agreement in connection with a 15 year permanent financing on the property located at One Court Square in Queens, NY which closed on August 3, 2005. Costs related to the terminated instruments of approximately $1.4 million were incorporated into the final fixed mortgage rate of 4.905%. At June 30, 2005, the fair value of the mortgage rate lock approximated its carrying value.

We also entered into an additional $200.0 million of anticipatory interest rate hedge instruments during the quarterly period ended June 30, 2005, which are scheduled to coincide with certain secured debt we anticipate incurring on a group of our office properties. These properties are anticipated to be included in a joint venture transaction in the latter part of 2005. As of June 30, 2005, we incurred approximately $207,000 of ineffectiveness related to these hedge instruments, which has been included in interest expense on our consolidated statements of income. At June 30, 2005, the carrying value of these instruments exceeded their fair value by approximately $2.0 million, which has been reflected as accumulated other comprehensive loss with a corresponding increase in accrued expenses and other liabilities on our balance sheet. These instruments were settled on August 1, 2005, at which time their fair value exceeded their carrying value by approximately $1.1 million. Such amount will be classified as an offset to deferred loan costs and amortized against deferred financing costs over the term of the secured debt. Based on the settlement proceeds of approximately $1.1 million and a projected debt tenor of five years, we would anticipate that during the twelve-month period commencing on July 1, 2005 we would amortize approximately $165,000 of these settlement proceeds (representing the period October 1, 2005 through June 30, 2006) against the amortization of deferred financing costs.

At June 30, 2005, there were 13 fixed rate mortgage notes payable with an aggregate outstanding principal amount of approximately $614.8 million. These mortgage notes are secured by properties with an aggregate carrying value at June 30, 2005 of approximately $1.3 billion and which are pledged as collateral against the mortgage notes payable. In addition, approximately $42.3 million of the $614.8 million is recourse to us. The mortgage notes bear interest at rates ranging from 6.45% to 9.25%, and mature between 2005 and 2011. The weighted average interest rate on the outstanding mortgage notes payable at June 30, 2005 was approximately 7.3%. Certain of the mortgage notes payable are guaranteed by the Company and/or certain limited partners in the Operating Partnership. In addition, consistent with customary practices in non-recourse lending, certain non-recourse mortgages may be recourse to the Company under certain limited circumstances including environmental issues and breaches of material representations.

The following table sets forth our mortgage notes payable at June 30, 2005, by scheduled maturity date (dollars in thousands):

Property	Principal Outstanding	Interest Rate	Maturity Date	Amortization Term (Years)
520 White Plains Road, Tarrytown, NY	$ 11,059	8.85%	September, 2005	20
395 North Service Road, Melville, NY	18,689	6.45%	October, 2005	$34 per month
200 Summit Lake Drive, Valhalla, NY	18,204	9.25%	January, 2006	25
1350 Avenue of the Americas, NY, NY	72,559	6.52%	June, 2006	30
Landmark Square, Stamford, CT (a)	42,269	8.02%	October, 2006	25
100 Summit Lake Drive, Valhalla, NY	15,409	8.50%	April, 2007	15
333 Earle Ovington Blvd., Mitchel Field, NY (b)	51,226	7.72%	August, 2007	25
810 Seventh Avenue, NY, NY (c)	78,770	7.73%	August, 2009	25
100 Wall Street, NY, NY (c)	34,134	7.73%	August, 2009	25
6900 Jericho Turnpike, Syosset, NY	7,030	8.07%	July, 2010	25
6800 Jericho Turnpike, Syosset, NY	13,320	8.07%	July, 2010	25
580 White Plains Road, Tarrytown, NY	12,130	7.86%	September, 2010	25
919 Third Avenue, NY, NY (d)	240,035	6.87%	August, 2011	30
Total / Weighted average	$ 614,834	7.33%		

(a) Encompasses six Class A office properties.
(b) We have a 60% general partnership interest in this property and our proportionate share of the aggregate principal amount is approximately $30.7 million.
(c) These properties are cross-collateralized.
(d) We have a 51% membership interest in this property and our proportionate share of the aggregate principal amount is approximately $122.4 million.

On August 3, 2005, we placed a first mortgage in the amount of $315.0 million on the property located at One Court Square in Queens, NY. The mortgage note bears interest at a fixed rate of 4.905%, requires monthly payments of interest only through September 1, 2015, the anticipated repayment date (“ARD”). After the ARD, all excess cash flow, as defined, shall be applied to amortize the loan and the interest rate shall be reset to 2% plus the greater of 4.905% and the then-current ten-year U.S. Treasury yield. The final maturity date of the loan is May 1, 2020. The mortgage note is secured by the property and is otherwise non-recourse except in limited circumstances regarding breaches of material representations. As additional collateral for the loan, we may be required to post letters of credit for the benefit of the lender, in the amount of $10.0 million each, during September 2013, March 2014 and September 2014 if Citibank, N.A., the property’s current sole tenant, exercises its second cancellation option for up to 20% of its leased space during 2014 and 2015. Net proceeds received of approximately $303.5 million were used to re-pay a portion of our unsecured bridge facility discussed below.

We have given notice to the mortgagee with respect to the mortgage debt on the property located at 200 Summit Lake Drive in Valhalla, NY to pre-pay the mortgage debt during the third calendar quarter of 2005. Pursuant to the terms of the mortgage note, the mortgage may be pre-paid without penalty subsequent to September 1, 2005 and upon notice. The balance of the mortgage note will be approximately $18.1 million on September 1, 2005. We anticipate making a borrowing under our unsecured credit facility to satisfy this mortgage note on the prepayment date.

Our mortgage debt on the property located at 395 North Service Road in Melville, NY matures on October 28, 2005. We have given notice to the mortgagee to prepay the mortgage debt on September 30, 2005, at which time the balance will be approximately $18.6 million. We anticipate making a borrowing under our unsecured credit facility to satisfy the mortgage note at its scheduled maturity.

4. SENIOR UNSECURED NOTES

During June 2005, the Operating Partnership issued $287.5 million aggregate principal amount of 4.00% exchangeable senior debentures due June 15, 2025. Interest on the debentures will be payable semi-annually on June 15 and December 15, commencing December 15, 2005. The debentures are callable after June 17, 2010 at 100% of par. In addition, the debentures can be put to us, at the option of the holder and at par, on June 15, 2010, 2015 and 2020. The net proceeds from the offering, after the underwriter’s discounts and expenses, were approximately $281.6 million and were used for repayment of amounts outstanding under our unsecured credit facility. (See footnote 7, Stockholders’ Equity, regarding the terms of the debenture’s exchange into our common stock).

At June 30, 2005, the Operating Partnership had outstanding approximately $979.9 million (net of unamortized issuance discounts) of senior unsecured notes (the "Senior Unsecured Notes"). The following table sets forth the Operating Partnership's Senior Unsecured Notes and other related disclosures by scheduled maturity date (dollars in thousands):

Issuance	Face Amount	Coupon Rate	Term (in Years)	Maturity
June 17, 2002	$ 50,000	6.00%	5	June 15, 2007
August 27, 1997	150,000	7.20%	10	August 28, 2007
March 26, 1999	200,000	7.75%	10	March 15, 2009
January 22, 2004	150,000	5.15%	7	January 15, 2011
August 13, 2004	150,000	5.875%	10	August 15, 2014
June 27, 2005	287,500	4.00%	20	June 15, 2025
	$ 987,500			

Interest on the Senior Unsecured Notes is payable semiannually with principal and unpaid interest due on the scheduled maturity dates. In addition, certain of the Senior Unsecured Notes were issued at discounts aggregating approximately $8.3 million. Such discounts are being amortized to interest expense over the term of the Senior Unsecured Notes to which they relate.

5. UNSECURED CREDIT FACILITY & BRIDGE FACILITY

On May 13, 2005, we obtained a $470.0 million unsecured bridge facility (the "Bridge Facility") from Citibank, N.A. The Bridge Facility is for an initial term of six months and we have the option for a six-month extension upon paying a one-time fee of 7.5 basis points on the amount then outstanding. The Bridge Facility has terms, including interest rates and financial covenants, substantially similar to our unsecured $500 million revolving credit facility (the "Credit Facility"), and was amended in June 2005 in the same manner as our Credit Facility as described below. As of June 30, 2005, there was $470.0 million outstanding under the Bridge Facility at an interest rate of 4.04%. On August 3, 2005, net proceeds received from the secured financing of the property located at One Court Square in Queens, NY of approximately $303.5 million were used to repay amounts outstanding under the Bridge Facility.

During the three months ended June 30, 2005, we amended our Credit Facility to, among other things, extend the maturity for one year, modify a financial covenant to increase the percentage that our total indebtedness can represent when compared to the total value of our assets from 55% to 60% and on a temporary basis to 65% upon an acquisition of a material property, reduce the rate of interest on borrowings by 0.10%, modify the capitalization rates used to value our properties for purposes of the financial covenants contained in the Credit Facility, increase the portion of assets and net operating income that may come from minority joint ventures from 5% to 10% and certain other matters.

We currently maintain our $500 million Credit Facility from JPMorgan Chase Bank, as administrative agent, Wells Fargo Bank, National Association as syndication agent and Citicorp, North America, Inc. and Wachovia Bank, National Association as co-documentation agents. The Credit Facility matures in August 2008, contains options for a one-year extension subject to a fee of 25 basis points and, upon receiving additional lender commitments, increasing the maximum revolving credit amount to $750 million. In addition, borrowings under the Credit Facility are currently priced off LIBOR plus 80 basis points and the Credit Facility carries a facility fee of 20 basis points per annum. In the event of a change in the Operating Partnership's senior unsecured credit ratings, the interest rates and facility fee are subject to change. At June 30, 2005, the outstanding borrowings under the Credit Facility aggregated $128.0 million and carried a weighted average interest rate of 4.04% per annum.

We utilize the Credit Facility primarily to finance real estate investments, fund our real estate development activities and for working capital purposes. At June 30, 2005, we had availability under the Credit Facility to borrow approximately an additional $370.8 million, subject to compliance with certain financial covenants. Such amount is net of approximately $1.2 million in outstanding undrawn standby letters of credit, which are issued under the Credit Facility.

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

6. COMMERCIAL REAL ESTATE INVESTMENTS

During January 2005, we acquired, in two separate transactions, two Class A office properties located at One and Seven Giralda Farms in Madison, New Jersey for total consideration of approximately $78.0 million. One Giralda Farms encompasses approximately 150,000 rentable square feet and Seven Giralda Farms encompasses approximately 203,000 rentable square feet. We made these acquisitions through borrowings under our Credit Facility.

In May 2005, we acquired a 1.4 million square foot, 50-story, Class A office tower located at One Court Square, Long Island City, a sub-market of New York City, for approximately $471.0 million, inclusive of transfer taxes and transactional costs. One Court Square is 100% leased to the seller, Citibank N.A., under a 15-year net lease. The lease contains partial cancellation options effective during 2011 and 2012 for up to 20% of the leased space and in 2014 and 2015 for up to an additional 20% of the leased space, subject to notice and the payment of early termination penalties. We are currently negotiating with an institutional joint venture partner to sell between a 60% to 70% interest in this property.

In May 2005, we completed mandatory arbitration proceedings relating to the re-setting of the rent under the ground lease pursuant to which we own an approximately 1.1 million square foot Class A office tower located at 1185 Avenue of the Americas, New York, NY. The rent was re-set, and is not subject to further increase, for the remaining 37 years of the ground lease (inclusive of a 20-year extension at our option) to approximately $6.9 million per annum. Such re-set is retroactive to June 2004.

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

On June 8, 2005, we sold a three-acre vacant land parcel located on Long Island for approximately $1.4 million which resulted in a net gain of approximately $175,000, net of limited partner's minority interest. Such gain is reflected as a component of discontinued operations on our consolidated statements of income.

On June 20, 2005, we acquired our joint venture partner's 40% interest in a 172,000 square foot office property located at 520 White Plains Road, Tarrytown, NY for approximately $8.1 million which consisted of the issuance of 127,510 OP Units valued at $31.37 per OP Unit and the assumption of approximately $4.1 million of secured mortgage indebtedness of the joint venture. Prior to us acquiring this interest, we accounted for the joint venture under the equity method of accounting. In accordance with the equity method of accounting our proportionate share of the joint venture's income was approximately $25,000 and $176,000 and $294,000 and $408,000 for the three and six month periods ended June 30, 2005 and 2004, respectively.

On June 21, 2005, we entered into a contract to sell two suburban office properties, aggregating approximately 69,000 square feet, located at 310 and 333 East Shore Road in Great Neck, Long Island for aggregate consideration of approximately $17.3 million. The sale is scheduled to close within 3 months. There can be no assurances that such sale will occur under the terms anticipated or at all. Pursuant to FASB Statement No. 144, the operating results of these properties are classified within discontinued operations, for all periods presented, on our consolidated statements of income and their assets and liabilities are classified as held for sale on our consolidated balance sheets.

As of June 30, 2005, we owned and operated 82 office properties (inclusive of eight office properties owned through joint ventures) comprising approximately 16.8 million square feet and eight industrial / R&D properties comprising approximately 863,000 square feet located in the Tri-State Area.

At June 30, 2005, we owned approximately 341 acres of land in 12 separate parcels of which we can, based on current estimates, develop approximately 3.1 million square feet of office space (the "Development Parcels"). During July 2004, we commenced the ground-up development on one of the Development Parcels of a 305,000 square foot Class A office building with a total anticipated investment of approximately $61.3 million. This development is located within our existing three building executive office park in Melville, NY. In addition, during July 2005, we commenced the ground-up development on one of the Development Parcels of a 37,000 square foot Class A retail property with a total anticipated investment of approximately $10.1 million. This development is located within our existing six building office park in Stamford, Connecticut. There can be no assurances that the actual cost of these ground-up development projects will not exceed their anticipated amounts. Further, one of the Development Parcels, aggregating approximately 4.1 acres is classified as held for sale on our balance sheets and is expected to close during 2006 for aggregate consideration of $2.0 million. In addition, as previously discussed, in May 2005, we entered into a contract to sell approximately 60 acres of vacant land in Chatham Township, NJ. As of June 30, 2005, we had invested approximately $175.3 million in the Development Parcels. One of the Development Parcels, comprising 39.5 acres located in Valhalla, NY, was previously under contract for sale and was contingent upon obtaining zoning for residential use of the land and other customary due diligence and approvals. In May 2005, the purchaser terminated the contract.

Management has made subjective assessments as to the value and recoverability of our investments in the Development Parcels based on current and proposed development plans, market comparable land values and alternative use values. We are currently evaluating alternative land uses for certain of the remaining Development Parcels to realize their highest economic value. These alternatives may include rezoning certain Development Parcels from commercial to residential for potential disposition.

We also own a 354,000 square foot office building in Orlando, Florida. This non-core real estate holding was acquired in May 1999 in connection with our initial New York City portfolio acquisition.

On July 8, 2005, we entered into a contract to purchase a 1.1 million square foot Class A office complex located at 204 EAB Plaza in Uniondale, NY, commonly referred to as “EAB Plaza”, for approximately $240 million. The property is encumbered by a long-term ground lease which has a remaining term in excess of 75 years, including renewal options. Pursuant to the terms of the contract, we provided the seller with a down payment in the form of a $24.0 million standby letter of credit. Such letter of credit was issued under our Credit Facility. We currently hold a $27.6 million junior mezzanine loan which is secured by a pledge of an indirect ownership interest of an entity which currently owns the ground leasehold estate. Prior to closing on the acquisition of EAB Plaza, we have the option to purchase an adjoining 8.2-acre development site. If we do not exercise this option, we will provide a two-year $10 million loan to the seller, secured by the development site and will be retained to provide development related consulting services for the site. We anticipate closing on this complex in October 2005 through the satisfaction of our junior mezzanine loan and a borrowing under our Credit Facility. There can be no assurances that we will acquire this property or that we will fund the purchase price as described.

On July 14, 2005, we acquired two adjacent Class A suburban office properties aggregating 228,000 square feet located at 225 High Ridge Road in Stamford, CT for approximately $76.3 million. This acquisition was made through a borrowing under our Credit Facility. The buildings are currently 100% leased and we anticipate contributing the property to a to-be-formed joint venture. There can be no assurances that this property will be contributed to the aforementioned joint venture or that such joint venture will be formed.

On July 26, 2005, we announced the commencement of marketing of an offering in Australia of A$271 million (approximately US$203 million) of units in Reckson New York Property Trust (“Reckson LPT”), a newly-formed listed property trust to be traded on the Australia Securities Exchange (ASX). It is contemplated that Reckson LPT will contribute the net proceeds of the offering in exchange for a 75% indirect interest in a newly-formed joint venture in the United States. We will transfer 25 of our properties with a value of approximately $563 million and containing an aggregate of 3.4 million square feet to the joint venture in exchange for a 25% interest and approximately $502 million in cash (inclusive of proceeds from mortgage debt). We will arrange for approximately $319 million of debt, including approximately $247 million of fixed rate debt and approximately $72 million of floating rate debt, that will encumber the properties transferred to the joint venture. We will also grant the joint venture options to acquire 10 additional properties containing an aggregate of approximately 1.2 million square feet over a two year period at a price based upon the fair market value at the time of transfer to the joint venture.

In accordance with FASB Statement No. 144, it is anticipated that the assets and liabilities of the properties to be contributed to the joint venture will be classified as held for sale on our consolidated balance sheets, for all periods presented, commencing with the quarterly period ended September 30, 2005.

Pursuant to the terms of the offering of the units of Reckson LPT, investors will pay 65% of the price of the units in a closing scheduled to occur in late September 2005 and the remaining 35% in October 2006. We will transfer the 25 properties to the joint venture in three tranches, with properties having a value of approximately $367 million being transferred in late September 2005, approximately $72 million being transferred in January 2006 (such transfer to be funded entirely from the proceeds of mortgage debt) and approximately $124 million being transferred in October 2006.

We also announced the formation of Reckson Australia Management Limited (“RAML”), a wholly-owned subsidiary, that will manage Reckson LPT and serve as its “Responsible Entity.” The Responsible Entity will be managed by a six member board that will include three independent directors from Australia. Our affiliates will provide asset management, property management, leasing, construction and other services to the joint venture.

It is anticipated that a portion of the gain relating to the properties transferred to the joint venture will be deferred through an exchange qualifying under Section 1031 of the Internal Revenue Code in connection with our acquisition of EAB Plaza in Uniondale, New York. We do not currently anticipate that we will make any special distribution to our stockholders with regard to the gain.

Under the terms of the offering we will be entitled to receive certain transaction fees. In addition, it is contemplated that RAML and Reckson Management Group, Inc. will share in certain other ongoing fees related to property management, leasing, construction, acquisition and disposition services.

Although the marketing of the units of Reckson LPT has commenced, the underwriting agreement relating to the offering, contribution agreement relating to the contribution of the properties to the joint venture and other documents have not been executed. There can be no assurance that the offering will be completed and that the joint venture will be formed on the terms described above or at all.

Note Receivable Investments

On March 16, 2005, a wholly owned subsidiary of the Operating Partnership advanced under separate mezzanine loan agreements, each of which bears interest at 9% per annum, (i) approximately $8.0 million which matures in April 2010 and is secured, in part, by indirect ownership interests in ten suburban office properties located in adjacent office parks in Long Island, NY and (ii) approximately $20.4 million which matures in April 2012 and is secured, in part, by indirect ownership interests in twenty-two suburban office properties located in adjacent office parks in Long Island, NY. Each mezzanine loan is additionally secured by other guaranties, pledges and assurances and are pre-payable without penalty after 18 months from the initial funding. We made these investments through a borrowing under our Credit Facility.

In May 2005, we acquired a 65% interest in an $85 million, 15-year loan secured by an indirect interest in a 550,000 square foot condominium in a Class A office tower located at 1166 Avenue of the Americas, New York, NY for approximately $55.3 million. The loan accrues compounded interest at 9.0% and pays interest at an annual rate of 6.0% through March 2010, 8.5% thereafter through March 2015 and 11.0% thereafter through maturity in 2020. The loan is pre-payable only under certain circumstances and, in any case, not before 2009. Upon a capital event related to the indirect interest in the property which secures the loan, we are entitled to participate in 30% of net proceeds derived from such capital event. This investment replaced our $34.0 million mezzanine loan, including accrued and unpaid interest, to one of the partners owning such condominium interest. We also acquired an approximately 5% indirect ownership interest in the property for a purchase price of approximately $6.2 million. The property is currently 100% leased. The balance of these investments was funded through a borrowing under our Credit Facility and cash on hand.

We hold a $17.0 million note receivable, which bears interest at 12% per annum and is secured by a minority partnership interest in Omni Partners, L.P., owner of the Omni, a 579,000 square foot Class A office property located in Uniondale, NY (the “Omni Note”). We currently own a 60% majority partnership interest in Omni Partners, L.P. and on March 14, 2007 may exercise an option to acquire the remaining 40% interest for a price based on 90% of the fair market value of the property.

At June 30, 2005, we had invested approximately $111.2 million in mezzanine loans and participating loan investments. In general these investments are secured by a pledge of either a direct or indirect ownership interest in the underlying real estate or leasehold, other guaranties, pledges and assurances.

The following table sets forth the terms of these investments at June 30, 2005 (in thousands):

Description	Property	Amount	Interest Rate	Funding	Maturity
Mezzanine loan	EAB Plaza	$ 27,592	14.19% (a)	Sep., 2003	Sep., 2005(b)
Participating loan	1166 Avenue of the Americas	55,250	9.00% (c)	May, 2005	Dec., 2020
Mezzanine loan	Long Island office portfolio	8,031	9.00%	Mar., 2005	Apr., 2010(d)
Mezzanine loan	Long Island office portfolio	20,356	9.00%	Mar., 2005	Apr., 2012(d)
		$ 111,229			

(a) Weighted average interest rate which is based on a spread over LIBOR, with a LIBOR floor of 1.63% per annum.
(b) The borrower has rights to extend the term for three additional one-year periods and, under certain circumstances, prepay amounts outstanding.
(c) Compounded interest rate of 9.0%. Interest pay rate is at an annual rate of 6.0% through March 2010, 8.5% thereafter through March 2015 and 11.0% thereafter through maturity in 2020.
(d) Prepayable without penalty after 18 months from initial funding.

As of June 30, 2005, we held two other notes receivable, which aggregated $1.9 million and carried a weighted average interest rate of 11.21% per annum (the “Other Notes”) and collectively with the Omni Note, our mezzanine loans and preferred loan investments (the “Note Receivable Investments”). The Other Notes are secured in part by a minority partner’s preferred unit interest in the Operating Partnership, an interest in real property and a personal guarantee. $900,000 of the Other Notes matures on December 1, 2005 and the remaining $1.0 million matures on January 31, 2010.

As of June 30, 2005, management has made subjective assessments as to the underlying security value on the Note Receivable Investments. These assessments indicate an excess of market value over the carrying value and, based on these assessments, we believe there is no impairment to their carrying value.

7. PARTNERS' CAPITAL

A Class A OP Unit and a share of common stock have similar economic characteristics as they effectively share equally in the net income or loss and distributions of the Operating Partnership. As of June 30, 2005, the Operating Partnership had issued and outstanding 1,617,675 Class A OP Units and 465,845 Class C OP Units. The Class A OP Units and the Company's common stock currently receive a quarterly distribution of $0.4246 per unit/share. The Class C OP Units were issued in August 2003 in connection with the contribution of real property to the Operating Partnership and currently receive a quarterly distribution of $0.4664 per unit. Subject to certain holding periods, OP Units may either be redeemed for cash or, at the election of the Company, exchanged for shares of common stock on a one-for-one basis.

On June 20, 2005, as part of the consideration to acquire our joint venture partner's 40% interest in the property located at 520 White Plains Road, Tarrytown, NY, we issued 127,510 OP Units valued at $31.37 per OP Unit.

During June 2005, the Operating Partnership issued $287.5 million aggregate principal amount of 4.00% exchangeable senior debentures due June 15, 2025. The debentures were issued at 98% of par and are exchangeable for shares of common stock of the Company on or after June 15, 2024, and also under certain circumstances, at an initial exchange rate of 24.6124 common shares per $1,000 of principal amount of debentures. The initial exchange price of $40.63 represents a premium of approximately 25% to the closing price of the Company's common stock on the issuance date of $32.50 per share. If exchanged in accordance with their terms, the debentures will be settled in cash up to their principal amount and any remaining exchange value will be settled, at our option, in cash, the Company's common stock or a combination thereof. In accordance with the exchange rate terms of the debentures the Company has reserved approximately 8.8 million shares of its authorized common stock, $.01 par value, for potential future issuance upon the exchange of the debentures. Such amount is based on an exchange rate of 30.7692 common shares per $1,000 of principal amount of debentures. Although we have reserved these shares pursuant to the terms of the exchange rate terms, we believe the issuance of our shares, if any, would be significantly less than 8.8 million shares. The debentures are guaranteed by the Company. We have the option to redeem the debentures beginning June 18, 2010 for the principal amount plus accrued and unpaid interest. Holders of the debentures have the right to require us to repurchase their debentures at 100% of the principal amount thereof plus accrued and unpaid interest on June 15, 2010, June 15, 2015 and June 15, 2020 or, in the event of certain change in control transactions, prior to June 15, 2010.

During the three month period ended June 30, 2005, 53,410 shares of the Company's common stock were issued in connection with the exercise of outstanding options to purchase stock under its stock option plans resulting in proceeds to us of approximately $800,000. In addition, a limited partner in the Operating Partnership exchanged 841,992 OP Units for an equal number of shares of the Company's common stock.

The Board of Directors of the Company initially authorized the purchase of up to 5.0 million shares of the Company's common stock. Transactions conducted on the New York Stock Exchange have been, and will continue to be, effected in accordance with the safe harbor provisions of the Securities Exchange Act of 1934 and may be terminated by the Company at any time. Since the Board's initial authorization, the Company has purchased 3,318,600 shares of its common stock for an aggregate purchase price of approximately $71.3 million. In June 2004, the Board of Directors re-set the Company's common stock repurchase program back to 5.0 million shares. No purchases have been made since March, 2003.

The Operating Partnership has issued and outstanding 1,200 preferred units of limited partnership interest with a liquidation preference value of $1,000 per unit and a stated distribution rate of 7.0%, which is subject to reduction based upon terms of their initial issuance (the "Preferred Units"). The terms of the Preferred Units provide for this reduction in distribution rate in order to address the effect of certain mortgages with above market interest rates which were assumed by the Operating Partnership in connection with properties contributed to the Operating Partnership in 1998.

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

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

In July 2002, as a result of certain provisions of the Sarbanes-Oxley Act of 2002, we discontinued the use of stock loans in our Long Term Incentive Programs ("LTIP"). In connection with LTIP grants made prior to the enactment of the Sarbanes-Oxley Act of 2002, we currently have stock loans outstanding to certain executive officers which were used to purchase 385,000 shares of our common stock. The stock loans were priced at the market prices of our common stock at the time of issuance, bear interest at the mid-term Applicable Federal Rate and are secured by the shares purchased. Such stock loans (including accrued interest) are scheduled to vest and be ratably forgiven each year on the anniversary of the grant date based upon initial vesting periods ranging from seven to ten years. Such forgiveness is based on continued service and in part on the Company attaining certain annual performance measures. These stock loans had an initial aggregate weighted average vesting period of approximately nine years. As of June 30, 2005, there remains 180,714 shares of common stock subject to the original stock loans which are anticipated to vest between 2006 and 2011. Approximately $276,000 and $507,000 and $248,000 and $556,000 of compensation expense was recorded for the three and six month periods ended June 30, 2005 and 2004, respectively, related to these LTIP. Such amounts have been included in marketing, general and administrative expenses on the accompanying consolidated statements of income.

The outstanding stock loan balances due from executive officers aggregated approximately $3.8 million and $4.7 million at June 30, 2005 and December 31, 2004, respectively, and have been included as a reduction of additional paid in capital on the accompanying consolidated balance sheets. Other outstanding loans to executive and senior officers at June 30, 2005 and December 31, 2004 amounted to approximately $1.8 million and $2.7 million, respectively, and are included in investments in affiliate loans and joint ventures on the accompanying consolidated balance sheets and are primarily related to tax payment advances on stock compensation awards and life insurance contracts made to certain executive and non-executive officers.

In November 2002 and March 2003, an award of rights was granted to certain executive officers of the Company (the “2002 Rights” and “2003 Rights”, respectively, and collectively, the “Rights”). Each Right represents the right to receive, upon vesting, one share of common stock if shares are then available for grant under one of the Company’s stock option plans or, if shares are not so available, an amount of cash equivalent to the value of such stock on the vesting date. The 2002 Rights vest in four equal annual installments beginning on November 14, 2003 (and shall be fully vested on November 14, 2006). The 2003 Rights were earned on March 13, 2005 and vest in three equal annual installments beginning on March 13, 2005 (and shall be fully vested on March 13, 2007). Dividends on the shares will be held by the Company until such shares become vested, and will be distributed thereafter to the applicable officer. The 2002 Rights also entitle the holder thereof to cash payments in respect of taxes payable by the holder resulting from the 2002 Rights. The 2002 Rights aggregate 62,835 shares of the Company’s common stock and the 2003 Rights aggregate 26,040 shares of common stock. As of June 30, 2005, there remains 31,417 shares of common stock reserved related to the 2002 Rights and 17,360 shares of common stock reserved related to the 2003 Rights. Approximately $120,000 and $224,000 and $100,000 and $201,000 of compensation expense was recorded for the three and six month periods ended June 30, 2005 and 2004, respectively, related to the Rights. Such amounts have been included in marketing, general and administrative expenses on the accompanying consolidated statements of income.

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

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

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

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

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

On March 13, 2005 and March 13, 2004, with respect to the 2003 LTIP, the Company met its annual performance measure with respect to the 2004 and 2003 annual measurement periods, respectively. As a result, the Company issued to the participants of the 2003 LTIP 102,779 and 206,944 shares of its common stock, respectively, related to the core component of the 2003 LTIP.

The terms of each award of LTIP Units are substantially similar to those of the core awards under the 2003 LTIP. The vesting, performance hurdles and timing for vesting remain unchanged. However, an LTIP Unit represents an equity interest in the Operating Partnership, rather than the Company. At issuance, the LTIP Unit has no value but may over time accrete to a value equal to (but never greater than) the value of one share of common stock of the Company (a “REIT Share”). Initially, LTIP Units will not have full parity with OP Units with respect to liquidating distributions. Upon the occurrence of certain “triggering events,” the Operating Partnership will revalue its assets for the purpose of the capital accounts of its partners and any increase in valuation of the Operating Partnership’s assets from the date of the issuance of the LTIP Units through the “triggering event” will be allocated to the capital accounts of holders of LTIP Units until their capital accounts are equivalent to the capital accounts of holders of OP Units. If such equivalence is reached, LTIP Units would achieve full parity with OP Units for all purposes, and therefore accrete to an economic value equivalent to REIT Shares on a one-for-one basis. After two years from the date of grant, if such parity is reached, vested LTIP Units may be redeemed for cash in an amount equal to the then fair market value of an equal number of REIT Shares or converted into an equal number of OP Units, as determined by the Company’s Compensation Committee. However, there are circumstances under which such economic equivalence would not be reached. Until and unless such economic equivalence is reached, the value that the officers will realize for vested LTIP Units will be less than the value of an equal number of REIT Shares. In addition, unlike core awards under the 2003 LTIP (wherein dividends that accumulate are paid upon vesting), LTIP Units will receive the same quarterly distributions as OP Units on a current basis, thus providing full dividend equivalence with REIT Shares. At the scheduled March 2005 vesting date, the specified performance hurdles were met, and officers that received LTIP Units received a one-time cash payment that represented payment of the full vested amount of the accrued unpaid dividends under the core award of the 2003 LTIP through December 27, 2004, the issuance date of the LTIP Units. In addition, the officers, in the aggregate, vested in 104,167 LTIP Units. In order to more closely replicate the terms of the core awards being rescinded, the Company also entered into agreements with three executive officers, which provide that in the event of a change of control the executive shall receive the equivalent value of one REIT Share for each LTIP Unit.

In March 2005, following the recommendation of the Compensation Committee of the Board of Directors, eight senior and executive officers of the Company were awarded, in the aggregate, 272,100 LTIP Units to continue to incentivize them for the long-term (the “2005 LTIP Unit Grants”). Each such LTIP Unit awarded is deemed equivalent to an award of one share of common stock reserved under one of the Company’s stock option plans, reducing availability for other equity awards on a one-for-one basis. The terms of the 2005 LTIP Unit Grants are generally consistent with the terms of the 2003 LTIP, including with respect to the impact upon vesting in the event of a change in control.

As of June 30, 2005, and as a result of the foregoing, there remains 155,553 shares of common stock reserved for future issuance under the core award of the 2003 LTIP and 530,433 shares of common stock reserved for issuance with respect to the issuance of LTIP Units. With respect to the core award of the 2003 LTIP, the Company recorded approximately $305,000 and $610,000 and $699,000 and $1.4 million of compensation expense for the three and six month periods ended June 30, 2005 and 2004, respectively. In addition, with respect to the LTIP Units and the 2005 LTIP Unit Grants, the Company recorded compensation expense of approximately $822,000 and $1.3 million for the three and six month periods ended June 30, 2005, respectively. Such amounts have been included in marketing, general and administrative expenses on the accompanying consolidated statements of income. No accrual has been made with respect to the Special Outperformance Pool of the 2003 LTIP due to the uncertainty of the outcome of achieving the requisite performance measures.

Compensation expense with respect to the core component of the 2003 LTIP, which relates to the Company attaining certain annual performance measures, is recognized in accordance with paragraph 26 of Statement No. 123 as a “target stock price” plan. Under this type of plan, compensation expense is recognized for the target stock price awards whether or not the targeted stock price condition is achieved as long as the underlying service conditions are achieved. Accordingly, we obtained an independent third party valuation of the 2003 LTIP awards and recognize compensation expense on a straight-line basis through the vesting period for awards to employees who remain in service over the requisite period regardless of whether the target stock price has been reached.

Compensation expense with respect to the core component of the 2003 LTIP, which relates to the continued service of the grantee, is recognized in accordance with Statement No. 123 in which compensation expense is recognized on a straight-line basis through the vesting period based on the fair market value of the stock on the date of grant.

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

We expect to adopt Statement No. 123R on January 1, 2006; however, we have not yet been able to determine the impact of Statement No. 123R on our consolidated financial statements at this time.

As of June 30, 2005, the Company had approximately 1.8 million shares of its common stock reserved for issuance under its stock option plans, in certain cases subject to vested terms, at a weighted average exercise price of $24.97 per option. In addition, the Company has approximately 2.8 million shares of its common stock reserved for future issuance under its stock option plans.

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

8. SUPPLEMENTAL DISCLOSURES OF CASH FLOWS INFORMATION (IN THOUSANDS)

	Six Months Ended June 30,	
	2005	2004
Cash paid during the period for interest	$ 51,561	$ 50,277
Interest capitalized during the period	$ 4,611	$ 4,000

9. SEGMENT DISCLOSURE

We own all of the interests in our real estate properties directly or indirectly through the Operating Partnership. Our portfolio consists of Class A office properties located within the New York City metropolitan area and Class A suburban office and industrial / R&D properties located and operated within the Tri-State Area (the "Core Portfolio"). Our portfolio also includes one office property located in Orlando, Florida. We have formed an Operating Committee that reports directly to the President and Chief Financial Officer who have been identified as the Chief Operating Decision Makers due to their final authority over resource allocation, decisions and performance assessment.

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

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

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

	Three months ended					
	June 30, 2005			June 30, 2004		
	Core Portfolio	Other	**Consolidated Totals**	Core Portfolio	Other	**Consolidated Totals**
PROPERTY OPERATING REVENUES:						
Base rents, tenant escalations and reimbursements	$ 138,916	$ 2,886	**$ 141,802**	$ 124,798	$ 1,919	**$ 126,717**
EXPENSES:						
Property operating expenses	52,626	1,369	**53,995**	49,528	841	**50,369**
Marketing, general and administrative	4,318	4,159	**8,477**	4,056	3,298	**7,354**
Depreciation and amortization	32,048	946	**32,994**	27,635	986	**28,621**
Total Operating Expenses	88,992	6,474	**95,466**	81,219	5,125	**86,344**
Operating Income (Loss)	49,924	(3,588)	**46,336**	43,579	(3,206)	**40,373**
NON-OPERATING INCOME AND EXPENSES						
Interest and investment income and other	557	3,262	**3,819**	557	2,761	**3,318**
Interest:						
Expense incurred	(13,976)	(13,281)	**(27,257)**	(15,847)	(8,760)	**(24,607)**
Amortization of deferred financing costs	(280)	(741)	**(1,021)**	(294)	(605)	**(899)**
Total Non-Operating Income and Expenses	(13,699)	(10,760)	**(24,459)**	(15,584)	(6,604)	**(22,188)**
Income (loss) before minority interests, preferred distributions, equity in earnings of real estate joint ventures and discontinued operations	$ 36,225	$ (14,348)	**$ 21,877**	$ 27,995	$ (9,810)	**$ 18,185**

	Six Months Ended					
	June 30, 2005			June 30, 2004		
	Core Portfolio	Other	**Consolidated Totals**	Core Portfolio	Other	**Consolidated Totals**
PROPERTY OPERATING REVENUES:						
Base rents, tenant escalations and reimbursements	$ 274,200	$ 4,471	**$ 278,671**	$ 251,428	$ 3,910	**$ 255,338**
EXPENSES:						
Property operating expenses	107,453	2,027	**109,480**	99,965	1,609	**101,574**
Marketing, general and administrative	8,617	8,075	**16,692**	8,240	6,161	**14,401**
Depreciation and amortization	61,192	1,877	**63,069**	54,735	1,984	**56,719**
Total Operating Expenses	177,262	11,979	**189,241**	162,940	9,754	**172,694**
Operating Income (Loss)	96,938	(7,508)	**89,430**	88,488	(5,844)	**82,644**
NON-OPERATING INCOME AND EXPENSES						
Interest and investment income and other	1,444	5,554	**6,998**	1,981	7,000	**8,981**
Interest:						
Expense incurred	(25,078)	(25,747)	**(50,825)**	(31,477)	(18,791)	**(50,268)**
Amortization of deferred financing costs	(567)	(1,492)	**(2,059)**	(588)	(1,238)	**(1,826)**
Total Non-Operating Income and Expenses	(24,201)	(21,685)	**(45,886)**	(30,084)	(13,029)	**(43,113)**
Income (loss) before minority interests, preferred distributions, equity in earnings of real estate joint ventures and discontinued operations	$ 72,737	$ (29,193)	**$ 43,544**	$ 58,404	$ (18,873)	**$ 39,531**

Total Assets	$ 3,520,263	$ 299,125	**$ 3,819,388**	$ 2,900,576	$ 236,602	**$ 3,137,178**

10. NON-CASH INVESTING AND FINANCING ACTIVITIES

During June 2005, a limited partner exchanged 841,992 OP Units for an equal number of shares of the Company's common stock which were priced at $31.60 per share.

On June 20, 2005, as part of the consideration to acquire our joint venture partner's 40% interest in the property located at 520 White Plains Road, Tarrytown, NY, we issued 127,510 OP Units valued at $31.37 per OP Unit and assumed approximately $4.1 of secured mortgage indebtedness of the joint venture.

In May 2005, we acquired an approximate $55.3 million interest in a 15-year loan secured by an indirect interest in a 550,000 square foot condominium in a Class A office tower located at 1166 Avenue of the Americas, New York, NY. This investment replaced our $34.0 million mezzanine loan, including accrued and unpaid interest, to one of the partners owning such condominium interest.

11. RELATED PARTY TRANSACTIONS

In connection with our IPO, we were granted ten-year options to acquire ten properties (the "Option Properties") which were either owned by certain Rechler family members who were also executive officers of the Company, or in which the Rechler family members owned a non-controlling minority interest, at prices based upon an agreed upon formula. In years prior to 2001, one Option Property was sold by the Rechler family members to a third party and four of the Option Properties were acquired by us for an aggregate purchase price of approximately $35.0 million, which included the issuance of approximately 475,000 Class A OP Units valued at approximately $8.8 million. During November, 2003, in connection with the sale of all but three of our 95 property, 5.9 million square foot, Long Island industrial building portfolio to members of the Rechler family, four of the five remaining options (the "Remaining Option Properties") were terminated along with management contracts relating to three of the properties.

The Operating Partnership conducts its management, leasing and construction related services through the Company's taxable REIT subsidiaries as defined by the Code. These services are currently provided by the Service Companies. During the three and six months ended June 30, 2005 and 2004, Reckson Construction & Development LLC ("RCD") billed approximately $17,000 and $26,000 and $217,000 and $678,000, respectively, of market rate services and Reckson Management Group, Inc. ("RMG") billed approximately $71,000 and $142,000 and $72,000 and $138,000, respectively, of market rate management fees to the Remaining Option Properties.

RMG leases approximately 26,000 square feet of office space at a Remaining Option Property located at 225 Broadhollow Road, Melville, NY for its corporate offices at an annual base rent of approximately $780,000. RMG also leases 10,722 square feet of warehouse space used for equipment, materials and inventory storage at a property owned by certain members of the Rechler family at an annual base rent of approximately $79,000. In addition, commencing April 1, 2004, RCD has been leasing approximately 17,000 square feet of space at a Remaining Option Property, located at 225 Broadhollow Road, Melville, NY, which is scheduled to terminate on September 30, 2006. Base rent of approximately $122,000 and $244,000 was paid by RCD during the three and six months ended June 30, 2005, respectively, and $121,000 was paid for the three months ended June 30, 2004. Commencing in April 2005, RCD sub-let the entire 17,000 square feet to a third party for approximately $35,000 per month through RCD's September 2006 lease termination date.

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

A company affiliated with an independent director of the Company leases 15,566 square feet in a property owned by us at an annual base rent of approximately $430,000.

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 invested primarily in real estate and real estate operating companies outside the Company's core office and industrial / R&D 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. The Company advanced approximately $93.4 million under the FrontLine Facility. The Operating Partnership also approved the funding of investments of up to $110 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"). At March 31, 2005, 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. Interest accrued (net of reserves) under the FrontLine Facility and the RSVP Facility was approximately $19.6 million.

A committee of the Board of Directors, comprised solely of independent directors, considers any actions to be taken by the Company in connection with the FrontLine Loans and its investments in joint ventures with RSVP. During the third quarter of 2001, the Company noted a significant deterioration in FrontLine's operations and financial condition and, based on its assessment of value and recoverability and considering the findings and recommendations of the committee and its financial advisor, the Company recorded a $163 million valuation reserve charge, inclusive of anticipated costs, in its consolidated statements of operations relating to its investments in the FrontLine Loans and joint ventures with RSVP. The Company has discontinued the accrual of interest income with respect to the FrontLine Loans. The Company has also reserved against its share of GAAP equity in earnings from the RSVP controlled joint ventures funded through the RSVP Commitment until such income is realized through cash distributions.

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

In September 2003, RSVP completed the restructuring of its capital structure and management arrangements. RSVP also restructured its management arrangements whereby a management company formed by its former managing directors has been retained to manage RSVP pursuant to a management agreement and the employment contracts of the managing directors with RSVP have been terminated. The management agreement provides for an annual base management fee, and disposition fees equal to 2% of the net proceeds received by RSVP on asset sales. (The base management fee and disposition fees are subject to a maximum over the term of the agreement of $7.5 million.) In addition, the managing directors retained a one-third residual interest in RSVP's assets which is subordinated to the distribution of an aggregate amount of $75 million to RSVP and/or the Company in respect of its joint ventures with RSVP. The management agreement has a three-year term, subject to early termination in the event of the disposition of all of the assets of RSVP.

In connection with the restructuring, RSVP and certain of its affiliates obtained a $60 million secured loan (the "RSVP Secured Loan"). In connection with this loan, the Operating Partnership agreed to indemnify the lender in respect of any environmental liabilities incurred with regard to RSVP's remaining assets in which the Operating Partnership has a joint venture interest (primarily certain student housing assets held by RSVP) and guaranteed the obligation of an affiliate of RSVP to the lender in an amount up to $6 million plus collection costs for any losses incurred by the lender as a result of certain acts of malfeasance on the part of RSVP and/or its affiliates. The RSVP Secured Loan is scheduled to mature in 2006 and is expected to be repaid from proceeds of assets sales by RSVP and/or a joint venture between RSVP and a subsidiary of the Operating Partnership.

As a result of certain transactions including the successful public offering of American Campus Communities, a joint venture owned by RSVP and Reckson Operating Partnership, 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 previously accrued GAAP equity in earnings on those investments, is approximately $55.2 million which was reassessed with no change by management as of June 30, 2005. Such amount has been reflected in investments in affiliate loans and joint ventures on the Company's consolidated balance sheet.

Scott H. Rechler, who serves as Chief Executive Officer, President and Chairman of the Board of the Company, serves as CEO and Chairman of the Board of Directors of FrontLine and is its sole board member. Scott H. Rechler also serves as a member of the management committee of RSVP and serves as a member of the Board of Directors of ACC.

In November 2004, Concord Associates LLC and Sullivan Resorts LLC, a joint venture approximately 47% owned by RSVP, executed a binding agreement to contribute its Concord and Grossingers resort properties (excluding residential land) to Empire Resorts Inc. (NASDAQ: NYNY)("Empire") for consideration of 18 million shares of common stock of Empire and the right to appoint five members of the Board of Directors. It is currently anticipated that Scott H. Rechler will be appointed to fill one seat on Empire's Board. On March 4, 2005, Empire announced that the agreement had been amended, whereby the parties agreed to waive the condition to closing which required final governmental approval of gaming in the Catskills. The transaction is subject to satisfaction of certain conditions and approvals, including the approval of Empire's shareholders. There can be no assurances that gaming will be approved in the Catskills or that the transaction will be completed on its current terms or at all.

12. COMMITMENTS AND CONTINGENCIES

The Company has entered into amended and restated employment and noncompetition agreements with three executive officers. The agreements are for five years and expire on August 15, 2005. The Company has also entered into an employment agreement with one additional officer prior to his appointment as an executive officer. This agreement expires in December 2006.

We had undrawn letters of credit outstanding against our Credit Facility of approximately $1.2 million at June 30, 2005. On July 8, 2005 we issued a $24.0 million standby letter of credit to secure a deposit obligation for the pending acquisition of a 1.1 million square foot Class A office complex located at 204 EAB Plaza in Uniondale, NY. (See Note 6)

A number of shareholder derivative actions have been commenced purportedly on behalf of the Company against the Board of Directors relating to the disposition of our Long Island industrial portfolio. The complaints allege, among other things, that the process by which the directors agreed to the transaction was not sufficiently independent of the Rechler family and did not involve a "market check" or third party auction process and, as a result, was not for adequate consideration. The plaintiffs seek similar relief, including a declaration that the directors violated their fiduciary duties and damages. On May 25, 2004, the Circuit Court for Baltimore City granted the defendants' motions to dismiss the three consolidated Maryland actions on the ground that the plaintiffs in those actions had failed to make a pre-suit demand on the Board of Directors, or to allege facts showing that such a demand would have been futile. Final judgment was entered on June 8, 2004, and on June 30, 2004, the plaintiffs in the Maryland actions filed a notice of appeal from that judgment to the Maryland Court of Special Appeals. The Company's management believes that the complaints are without merit.

On April 4, 2005 the Company and the other parties to the shareholder derivative actions filed against the Company in connection with its disposition of its industrial portfolio have agreed to settle such actions pursuant to the Stipulation of Settlement, dated as of March 14, 2005 and executed subsequent thereto. The proposed settlement includes various changes to the Company's corporate governance policies to provide for an Affiliate Transaction Committee and to require that the Company's Board of Directors be comprised of at least two-thirds independent directors (as defined in the Company's Corporate Governance Guidelines), as well as certain other concessions. The proposed settlement is subject to court approval.

On June 16, 2005, Judge Evelyn Omega Connor of the Circuit Court of Baltimore City signed an order regarding preliminary approval and notice with respect to the shareholder derivative actions. A hearing to consider approval of the proposed settlement has been scheduled for September 20, 2005, at 9:30 a.m., in the Circuit Court for Baltimore City. There can be no assurance that final court approval will be obtained.

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

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

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

Critical Accounting Policies

The consolidated financial statements of the Operating Partnership include accounts of the Operating Partnership and all majority-owned and controlled subsidiaries. The preparation of financial statements in conformity with U.S. generally accepted accounting principles ("GAAP") requires management to make estimates and assumptions in certain circumstances that affect amounts reported in the Company's consolidated financial statements and related notes. In preparing these financial statements, management has utilized information available including its past history, industry standards and the current economic environment, among other factors, in forming its estimates and judgments of certain amounts included in the consolidated financial statements, giving due consideration to materiality. It is possible that the ultimate outcome as anticipated by management in formulating its estimates inherent in these financial statements may not materialize. However, application of the critical accounting policies below involves the exercise of judgment and use of assumptions as to future uncertainties and, as a result, actual results could differ from these estimates. In addition, other companies may utilize different estimates, which may impact comparability of the Operating Partnership's results of operations to those of companies in similar businesses.

Revenue Recognition and Accounts Receivable

Minimum rental revenue is recognized on a straight-line basis, which averages minimum rents over the terms of the leases. The excess of rents recognized over amounts contractually due are included in deferred rents receivable on our balance sheets. Contractually due but unpaid rents are included in tenant receivables on our balance sheets. Certain lease agreements also provide for reimbursement of real estate taxes, insurance, common area maintenance costs and indexed rental increases, which are recorded on an accrual basis. Ancillary and other property related income is recognized in the period earned.

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

We incurred approximately $657,000 and $1.1 million and $700,000 and $1.8 million of bad debt expense, net of discontinued operations, for the three and six month periods ended June 30, 2005 and 2004, respectively, related to tenant receivables which accordingly reduced our total revenues and reported net income during the period.

We record interest income on our investments in notes receivable on the accrual basis of accounting. We do not accrue interest on impaired loans where, in the judgment of management, collection of interest according to the contractual terms is considered doubtful. Among the factors we consider in making an evaluation of the collectibility of interest are: (i) the status of the loan, (ii) the value of the underlying collateral, (iii) the financial condition of the borrower and (iv) anticipated future events.

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

Gain on sales of real estate are recorded when title is conveyed to the buyer, subject to the buyer's financial commitment being sufficient to provide economic substance to the sale and us having no substantial continuing involvement with the buyer.

We follow the guidance provided for under the Financing Accounting Standards Board ("FASB") Statement No. 66 "Accounting for Sales of Real Estate" ("Statement No. 66"), whichprovides guidance on sales contracts that are accompanied by agreements which require the seller to develop the property in the future. Under Statement No. 66, profit is recognized and allocated to the sale of the land and the later development or construction work on the basis of estimated costs of each activity; the same rate of profit is attributed to each activity. As a result, profits are recognized and reflected over the improvement period on the basis of costs incurred (including land) as a percentage of total costs estimated to be incurred. We use the percentage of completion method, as future costs of development and profit are reliably estimated.

Real Estate

Land, buildings and improvements, furniture, fixtures and equipment are recorded at cost. Tenant improvements, which are included in buildings and improvements, are also stated at cost. Expenditures for ordinary maintenance and repairs are expensed to operations as they are incurred. Renovations and / or replacements, which improve or extend the life of the asset, are capitalized and depreciated over their estimated useful lives.

Depreciation is computed utilizing the straight-line method over the estimated useful lives of ten to thirty years for buildings and improvements and five to ten years for furniture, fixtures and equipment. Tenant improvements, which are included in buildings and improvements, are amortized on a straight-line basis over the term of the related leases.

We are required to make subjective assessments as to the useful lives of our properties for purposes of determining the amount of depreciation to reflect on an annual basis with respect to those properties. These assessments have a direct impact on our net income. Should we lengthen the expected useful life of a particular asset, it would be depreciated over more years, and result in less depreciation expense and higher annual net income.

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

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

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

Long Lived Assets

We are required to make subjective assessments as to whether there are impairments in the value of our real estate properties and other investments. An investment's value is impaired only if management's estimate of the aggregate future cash flows (undiscounted and without interest charges) to be generated by the investment are less than the carrying value of the investment. Such assessments consider factors such as cash flows, expected future operating income, trends and prospects, as well as the effects of demand, competition and other factors. To the extent impairment has occurred it will be measured as the excess of the carrying amount of the property over the fair value of the property. These assessments have a direct impact on our net income, because recognizing an impairment results in an immediate negative adjustment to net income. In determining impairment, if any, we have followed FASB Statement No. 144, "Accounting for the Impairment or Disposal of Long Lived Assets". Statement No. 144 did not have an impact on net income allocable to common shareholders. Statement No. 144 only impacts the presentation of the results of operations and gain on sales of real estate assets for those properties sold during the period within the consolidated statements of income.

Variable Interest Entities

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

Current pronouncements

In June 2005, the FASB ratified the consensus in EITF Issue No. 04-5, Determining Whether a General Partner, or the General Partners as a Group, Controls a Limited Partnership or Similar Entity When the Limited Partners Have Certain Rights (“Issue 04-5”), which provides guidance in determining whether a general partner controls a limited partnership. Issue 04-5 states that the general partner in a limited partnership is presumed to control that limited partnership. The presumption may be overcome if the limited partners have either (1) the substantive ability to dissolve the limited partnership or otherwise remove the general partner without cause or (2) substantive participating rights, which provide the limited partners with the ability to effectively participate in significant decisions that would be expected to be made in the ordinary course of the limited partnership’s business and thereby preclude the general partner from exercising unilateral control over the partnership. The adoption of Issue 04-5 by the Company for new or modified limited partnership arrangements is effective June 30, 2005 and for existing limited partnership arrangements effective January 1, 2006. We do not expect that we will be required to consolidate our current unconsolidated joint venture investment nor will Issue 04-05 have a material effect on our consolidated financial statements.

Overview and Background

The Operating Partnership commenced operations on June 2, 1995. Reckson Associates Realty Corp. (the “Company”), which serves as the sole general partner of the Operating Partnership, is a fully integrated, self administered and self managed real estate investment trust (“REIT”). The Operating Partnership and the Company were formed for the purpose of continuing the commercial real estate business of Reckson Associates, their predecessor, its affiliated partnerships and other entities.

The Operating Partnership is engaged in the ownership, management, operation, leasing and development of commercial real estate properties, principally office and to a lesser extent industrial buildings and also owns land for future development. The Operating Partnership’s growth strategy is focused on the commercial real estate markets in and around the New York City tri-state area (the “Tri-State Area”).

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

In connection with our IPO, we were granted ten-year options to acquire ten properties (the “Option Properties”) which were either owned by certain Rechler family members who were also executive officers of the Company, or in which the Rechler family members owned a non-controlling minority interest, at prices based upon an agreed upon formula. In years prior to 2001, one Option Property was sold by the Rechler family members to a third party and four of the Option Properties were acquired by us for an aggregate purchase price of approximately $35.0 million, which included the issuance of approximately 475,000 common units of limited partnership interest in the Operating Partnership (“OP Units”) valued at approximately $8.8 million. During November, 2003, in connection with the sale of our Long Island industrial building portfolio to members of the Rechler family, four of the five remaining options (the “Remaining Option Properties”) were terminated, along with management contracts relating to three of the properties.

The Operating Partnership conducts its management, leasing and construction related services through the Company’s taxable REIT subsidiaries as defined by the Internal Revenue Code of 1986, as amended (the “Code”). These services are currently provided by Reckson Management Group, Inc. (“RMG”), RANY Management Group, Inc., Reckson Construction and Development LLC (“RCD”) and Reckson Construction Group New York, Inc. (collectively, the “Service Companies”). During the three and six months ended June 30, 2005 and 2004, RCD billed approximately $17,000 and $26,000 and $217,000 and $678,000 of market rate services and RMG billed approximately $71,000 and $142,000 and $72,000 and $138,000 of market rate management fees to the Remaining Option Properties.

RMG leases approximately 26,000 square feet of office space at a Remaining Option Property located at 225 Broadhollow Road, Melville, NY for its corporate offices at an annual base rent of approximately $780,000. RMG also leases 10,722 square feet of warehouse space used for equipment, materials and inventory storage at a property owned by certain members of the Rechler family at an annual base rent of approximately $79,000. In addition, commencing April 1, 2004, RCD has been leasing approximately 17,000 square feet of space at a Remaining Option Property, located at 225 Broadhollow Road, Melville, NY, which is scheduled to terminate on September 30, 2006. Base rent of approximately $122,000 and $244,000 was paid by RCD during the three and six months ended June 30, 2005, respectively, and $121,000 was paid for the three months ended June 30, 2004. Commencing in April 2005, RCD sub-let the entire 17,000 square feet to a third party for approximately $35,000 per month through RCD's September 2006 lease termination date.

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

A company affiliated with an independent director of the Company leases 15,566 square feet in a property owned by us at an annual base rent of approximately $430,000.

As of June 30, 2005 we owned and operated 82 office properties (inclusive of eight office properties owned through joint ventures), encompassing approximately 16.8 million rentable square feet and eight industrial / R&D properties encompassing approximately 863,000 rentable square feet located in the Tri-State Area.

At June 30, 2005, we owned approximately 341 acres of land in 12 separate parcels of which we can, based on current estimates, develop approximately 3.1 million square feet of office space (the "Development Parcels"). During July 2004, we commenced the ground-up development on one of the Development Parcels of a 305,000 square foot Class A office building with a total anticipated investment of approximately $61.3 million. This development is located within our existing three building executive office park in Melville, NY. In addition, during July 2005, we commenced the ground-up development on one of the Development Parcels of a 37,000 square foot Class A retail property with a total anticipated investment of approximately $10.1 million. This development is located within our existing six building office park in Stamford, Connecticut. There can be no assurances that the actual cost of these ground-up development projects will not exceed their anticipated amounts. Further, one of the Development Parcels, aggregating approximately 4.1 acres is classified as held for sale on our balance sheets and is expected to close during 2006 for aggregate consideration of $2.0 million. In addition, as previously discussed, in May 2005, we entered into a contract to sell approximately 60 acres of vacant land in Chatham Township, NJ. As of June 30, 2005, we had invested approximately $175.3 million in the Development Parcels. One of the Development Parcels, comprising 39.5 acres located in Valhalla, NY, was previously under contract for sale and was contingent upon obtaining zoning for residential use of the land and other customary due diligence and approvals. In May 2005, the purchaser terminated the contract.

Management has made subjective assessments as to the value and recoverability of our investments in the Development Parcels based on current and proposed development plans, market comparable land values and alternative use values. We are currently evaluating alternative land uses for certain of the remaining Development Parcels to realize their highest economic value. These alternatives may include rezoning certain Development Parcels from commercial to residential for potential disposition.

We also own a 354,000 square foot office building located in Orlando, Florida. This non-core real estate holding was acquired in May 1999 in connection with our initial New York City portfolio acquisition.

During January 2005, we acquired, in two separate transactions, two Class A office properties located at One and Seven Giralda Farms in Madison, New Jersey for total consideration of approximately $78.0 million. One Giralda Farms encompasses approximately 150,000 rentable square feet and Seven Giralda Farms encompasses approximately 203,000 rentable square feet. We made these acquisitions through borrowings under our Credit Facility.

In May 2005, we acquired a 1.4 million square foot, 50-story, Class A office tower located at One Court Square, Long Island City, a sub-market of New York City, for approximately $471.0 million, inclusive of transfer taxes and transactional costs. One Court Square is 100% leased to the seller, Citibank N.A., under a 15-year net lease. The lease contains partial cancellation options effective during 2011 and 2012 for up to 20% of the leased space and in 2014 and 2015 for up to an additional 20% of the leased space, subject to notice and the payment of early termination penalties. We are currently negotiating with an institutional joint venture partner to sell between a 60% to 70% interest in this property.

In May 2005, we completed mandatory arbitration proceedings relating to the re-setting of the rent under the ground lease pursuant to which we own an approximately 1.1 million square foot Class A office tower located at 1185 Avenue of the Americas, New York, NY. The rent was re-set, and is not subject to further increase, for the remaining 37 years of the ground lease (inclusive of a 20-year extension at our option) to approximately $6.9 million per annum. Such re-set is retroactive to June 2004.

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

On June 8, 2005, we sold a three-acre vacant land parcel located on Long Island for approximately $1.4 million which resulted in a net gain of approximately $175,000, net of limited partner's minority interest. Such gain is reflected as a component of discontinued operations on our consolidated statements of income.

On June 20, 2005, we acquired our joint venture partner's 40% interest in a 172,000 square foot office property located at 520 White Plains Road, Tarrytown, NY for approximately $8.1 million which consisted of the issuance of 127,510 OP Units valued at $31.37 per OP Unit and the assumption of approximately $4.1 million of secured mortgage indebtedness of the joint venture. Prior to us acquiring this interest, we accounted for the joint venture under the equity method of accounting. In accordance with the equity method of accounting our proportionate share of the joint venture's income was approximately $25,000 and $176,000 and $294,000 and $408,000 for the three and six month periods ended June 30, 2005 and 2004, respectively.

On June 21, 2005, we entered into a contract to sell two suburban office properties, aggregating approximately 69,000 square feet, located at 310 and 333 East Shore Road in Great Neck, Long Island for aggregate consideration of approximately $17.3 million. The sale is scheduled to close within 3 months. There can be no assurances that such sale will occur under the terms anticipated or at all.

On July 8, 2005, we entered into a contract to purchase a 1.1 million square foot Class A office complex located at 204 EAB Plaza in Uniondale, NY, commonly referred to as "EAB Plaza", for approximately $240 million. The property is encumbered by a long-term ground lease which has a remaining term in excess of 75 years, including renewal options. Pursuant to the terms of the contract, we provided the seller with a down payment in the form of a $24.0 million standby letter of credit. Such letter of credit was issued under our unsecured credit facility. We currently hold a $27.6 million junior mezzanine loan which is secured by a pledge of an indirect ownership interest of an entity which currently owns the ground leasehold estate. Prior to closing on the acquisition of EAB Plaza, we have the option to purchase an adjoining 8.2-acre development site. If we do not exercise this option, we will provide a two-year $10 million loan to the seller, secured by the development site and will be retained to provide development related consulting services for the site. We anticipate closing on this complex in October 2005 through the satisfaction of our junior mezzanine loan and a borrowing under our unsecured credit facility. There can be no assurances that we will acquire this property or that we will fund the purchase price as described.

On July 14, 2005, we acquired two adjacent Class A suburban office properties aggregating 228,000 square feet located at 225 High Ridge Road in Stamford, CT for approximately $76.3 million. This acquisition was made through a borrowing under our unsecured credit facility. The buildings are currently 100% leased and we anticipate contributing the property to a to-be-formed joint venture. There can be no assurances that this property will be contributed to the aforementioned joint venture or that such joint venture will be formed.

On July 26, 2005, we announced the commencement of marketing of an offering in Australia of A$271 million (approximately US$203 million) of units in Reckson New York Property Trust ("Reckson LPT"), a newly-formed listed property trust to be traded on the Australia Securities Exchange (ASX). It is contemplated that Reckson LPT will contribute the net proceeds of the offering in exchange for a 75% indirect interest in a newly-formed joint venture in the United States. We will transfer 25 of our properties with a value of approximately $563 million and containing an aggregate of 3.4 million square feet to the joint venture in exchange for a 25% interest and approximately $502 million in cash (inclusive of proceeds from mortgage debt). We will arrange for approximately $319 million of debt, including approximately $247 million of fixed rate debt and approximately $72 million of floating rate debt, that will encumber the properties transferred to the joint venture. We will also grant the joint venture options to acquire 10 additional properties containing an aggregate of approximately 1.2 million square feet over a two year period at a price based upon the fair market value at the time of transfer to the joint venture.

In accordance with FASB Statement No. 144, it is anticipated that the assets and liabilities of the properties to be contributed to the joint venture will be classified as held for sale on our consolidated balance sheets, for all periods presented, commencing with the quarterly period ended September 30, 2005.

Pursuant to the terms of the offering of the units of Reckson LPT, investors will pay 65% of the price of the units in a closing scheduled to occur in late September 2005 and the remaining 35% in October 2006. We will transfer the 25 properties to the joint venture in three tranches, with properties having a value of approximately $367 million being transferred in late September 2005, approximately $72 million being transferred in January 2006 (such transfer to be funded entirely from the proceeds of mortgage debt) and approximately $124 million being transferred in October 2006.

We also announced the formation of Reckson Australia Management Limited ("RAML"), a wholly-owned subsidiary, that will manage Reckson LPT and serve as its "Responsible Entity." The Responsible Entity will be managed by a six member board that will include three independent directors from Australia. Our affiliates will provide asset management, property management, leasing, construction and other services to the joint venture.

It is anticipated that a portion of the gain relating to the properties transferred to the joint venture will be deferred through an exchange qualifying under Section 1031 of the Internal Revenue Code in connection with our acquisition of EAB Plaza in Uniondale, New York. We do not currently anticipate that we will make any special distribution to our stockholders with regard to the gain.

Under the terms of the offering we will be entitled to receive certain transaction fees. In addition, it is contemplated that RAML and Reckson Management Group, Inc. will share in certain other ongoing fees related to property management, leasing, construction, acquisition and disposition services.

Although the marketing of the units of Reckson LPT has commenced, the underwriting agreement relating to the offering, contribution agreement relating to the contribution of the properties to the joint venture and other documents have not been executed. There can be no assurance that the offering will be completed and that the joint venture will be formed on the terms described above or at all.

On March 16, 2005, a wholly owned subsidiary of the Operating Partnership advanced under separate mezzanine loan agreements, each of which bears interest at 9% per annum, (i) approximately $8.0 million which matures in April 2010 and is secured, in part, by indirect ownership interests in ten suburban office properties located in adjacent office parks in Long Island, NY and (ii) approximately $20.4 million which matures in April 2012 and is secured, in part, by indirect ownership interests in twenty-two suburban office properties located in adjacent office parks in Long Island, NY. Each mezzanine loan is additionally secured by other guaranties, pledges and assurances and are pre-payable without penalty after 18 months from the initial funding. We made these investments through a borrowing under our unsecured credit facility.

In May 2005, we acquired a 65% interest in an $85 million, 15-year loan secured by an indirect interest in a 550,000 square foot condominium in a Class A office tower located at 1166 Avenue of the Americas, New York, NY for approximately $55.3 million. The loan accrues compounded interest at 9.0% and pays interest at an annual rate of 6.0% through March 2010, 8.5% thereafter through March 2015 and 11.0% thereafter through maturity in 2020. The loan is pre-payable only under certain circumstances and, in any case, not before 2009. Upon a capital event related to the indirect interest in the property which secures the loan, we are entitled to participate in 30% of net proceeds derived from such capital event. This investment replaced our $34.0 million mezzanine loan, including accrued and unpaid interest, to one of the partners owning such condominium interest. We also acquired an approximately 5% indirect ownership interest in the property for a purchase price of approximately $6.2 million. The property is currently 100% leased. The balance of these investments was funded through a borrowing under our unsecured credit facility and cash on hand.

We hold a $17.0 million note receivable, which bears interest at 12% per annum and is secured by a minority partnership interest in Omni Partners, L.P., owner of the Omni, a 579,000 square foot Class A office property located in Uniondale, NY (the "Omni Note"). We currently own a 60% majority partnership interest in Omni Partners, L.P. and on March 14, 2007 may exercise an option to acquire the remaining 40% interest for a price based on 90% of the fair market value of the property.

At June 30, 2005, we had invested approximately $111.2 million in mezzanine loans and participating loan investments. In general these investments are secured by a pledge of either a direct or indirect ownership interest in the underlying real estate or leasehold, other guaranties, pledges and assurances.

The following table sets forth the terms of these investments at June 30, 2005 (in thousands):

Description	Property	Amount	Interest Rate	Funding	Maturity
Mezzanine loan	EAB Plaza	$ 27,592	14.19% (a)	Sep, 2003	Sep, 2005 (b)
Participating loan	1166 Avenue of the Americas	55,250	9.00% (c)	May, 2005	Dec, 2020
Mezzanine loan	Long Island office portfolio	8,031	9.00%	Mar, 2005	Apr, 2010 (d)
Mezzanine loan	Long Island office portfolio	20,356	9.00%	Mar, 2005	Apr, 2012 (d)
		$ 111,229			

(a) Weighted average interest rate which is based on a spread over LIBOR, with a LIBOR floor of 1.63% per annum.
(b) The borrower has rights to extend the term for three additional one-year periods and, under certain circumstances, prepay amounts outstanding.
(c) Compounded interest rate of 9.0%. Interest pay rate is at an annual rate of 6.0% through March 2010, 8.5% thereafter through March 2015 and 11.0% thereafter through maturity in 2020.
(d) Prepayable without penalty after 18 months from initial funding.

As of June 30, 2005, we held two other notes receivable, which aggregated approximately $1.9 million and carried a weighted average interest rate of 11.21% per annum (the "Other Notes") and collectively with the Omni Note, our mezzanine loans and preferred loan investments (the "Note Receivable Investments"). The Other Notes are secured in part by a minority partner's preferred unit interest in the Operating Partnership, an interest in real property and a personal guarantee. $900,000 of the Other Notes matures on December 1, 2005 and the remaining $1.0 million matures on January 31, 2010.

As of June 30, 2005, management has made subjective assessments as to the underlying security value on the Note Receivable Investments. These assessments indicate an excess of market value over the carrying value and, based on these assessments, we believe there is no impairment to their carrying value.

Our market capitalization at June 30, 2005 was approximately $4.9 billion. Our market capitalization is based on the sum of (i) the market value of the Company's common stock and OP Units (assuming conversion) of $33.55 per share / unit (based on the closing price of the Company's common stock on June 30, 2005), (ii) the liquidation preference value of the Operating Partnership's preferred units of $1,000 per unit and (iii) approximately $2.1 billion (net of minority partners' interests' share of consolidated joint venture debt) of debt outstanding at June 30, 2005. As a result, our total debt to total market capitalization ratio at June 30, 2005 equaled approximately 42.0%.

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 invested primarily in real estate and real estate operating companies outside the Company's core office and industrial / R&D 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. The Company advanced approximately $93.4 million under the FrontLine Facility. The Operating Partnership also approved the funding of investments of up to $110 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"). At March 31, 2005, 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. Interest accrued (net of reserves) under the FrontLine Facility and the RSVP Facility was approximately $19.6 million.

A committee of the Board of Directors, comprised solely of independent directors, considers any actions to be taken by the Company in connection with the FrontLine Loans and its investments in joint ventures with RSVP. During the third quarter of 2001, the Company noted a significant deterioration in FrontLine's operations and financial condition and, based on its assessment of value and recoverability and considering the findings and recommendations of the committee and its financial advisor, the Company recorded a $163 million valuation reserve charge, inclusive of anticipated costs, in its consolidated statements of operations relating to its investments in the FrontLine Loans and joint ventures with RSVP. The Company has discontinued the accrual of interest income with respect to the FrontLine Loans. The Company has also reserved against its share of GAAP equity in earnings from the RSVP controlled joint ventures funded through the RSVP Commitment until such income is realized through cash distributions.

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

In September 2003, RSVP completed the restructuring of its capital structure and management arrangements. RSVP also restructured its management arrangements whereby a management company formed by its former managing directors has been retained to manage RSVP pursuant to a management agreement and the employment contracts of the managing directors with RSVP have been terminated. The management agreement provides for an annual base management fee, and disposition fees equal to 2% of the net proceeds received by RSVP on asset sales. (The base management fee and disposition fees are subject to a maximum over the term of the agreement of $7.5 million.) In addition, the managing directors retained a one-third residual interest in RSVP's assets which is subordinated to the distribution of an aggregate amount of $75 million to RSVP and/or the Company in respect of its joint ventures with RSVP. The management agreement has a three-year term, subject to early termination in the event of the disposition of all of the assets of RSVP.

In connection with the restructuring, RSVP and certain of its affiliates obtained a $60 million secured loan (the "RSVP Secured Loan"). In connection with this loan, the Operating Partnership agreed to indemnify the lender in respect of any environmental liabilities incurred with regard to RSVP's remaining assets in which the Operating Partnership has a joint venture interest (primarily certain student housing assets held by RSVP) and guaranteed the obligation of an affiliate of RSVP to the lender in an amount up to $6 million plus collection costs for any losses incurred by the lender as a result of certain acts of malfeasance on the part of RSVP and/or its affiliates. The RSVP Secured Loan is scheduled to mature in 2006 and is expected to be repaid from proceeds of assets sales by RSVP and/or a joint venture between RSVP and a subsidiary of the Operating Partnership.

As a result of certain transactions including the successful public offering of American Campus Communities, a joint venture owned by RSVP and Reckson Operating Partnership, 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 previously accrued GAAP equity in earnings on those investments, is approximately $55.2 million which was reassessed with no change by management as of June 30, 2005. Such amount has been reflected in investments in affiliate loans and joint ventures on the Company's consolidated balance sheet.

Scott H. Rechler, who serves as Chief Executive Officer, President and Chairman of the Board of the Company, serves as CEO and Chairman of the Board of Directors of FrontLine and is its sole board member. Scott H. Rechler also serves as a member of the management committee of RSVP and serves as a member of the Board of Directors of ACC.

In November 2004, Concord Associates LLC and Sullivan Resorts LLC, a joint venture approximately 47% owned by RSVP, executed a binding agreement to contribute its Concord and Grossingers resort properties (excluding residential land) to Empire Resorts Inc. (NASDAQ: NYNY)("Empire") for consideration of 18 million shares of common stock of Empire and the right to appoint five members of the Board of Directors. It is currently anticipated that Scott H. Rechler will be appointed to fill one seat on Empire's Board. On March 4, 2005, Empire announced that the agreement had been amended, whereby the parties agreed to waive the condition to closing which required final governmental approval of gaming in the Catskills. The transaction is subject to satisfaction of certain conditions and approvals, including the approval of Empire's shareholders. There can be no assurances that gaming will be approved in the Catskills or that the transaction will be completed on its current terms or at all.

Results of Operations

The following table is a comparison of the results of operations for the three month period ended June 30, 2005 to the three month period ended June 30, 2004 (dollars in thousands):

	Three months ended June 30,			
			Change	
	2005	2004	Dollars	Percent
Property Operating Revenues:				
Base rents	$ 123,804	$ 109,265	$ 14,539	13.3%
Tenant escalations and reimbursements	17,998	17,452	546	3.1%
Total property operating revenues	**$ 141,802**	**$ 126,717**	**$ 15,085**	**11.9%**
Property Operating Expenses:				
Operating expenses	$ 31,430	$ 30,401	$ 1,029	3.4%
Real estate taxes	22,565	19,968	2,597	13.0%
Total property operating expenses	**$ 53,995**	**$ 50,369**	**$ 3,626**	**7.2%**
Interest and Investment Income and Other	**$ 3,819**	**$ 3,318**	**$ 501**	**15.1%**
Other Expenses:				
Interest expense incurred	$ 27,257	$ 24,607	$ 2,650	10.8%
Amortization of deferred financing costs	1,021	899	122	13.6%
Marketing, general and administrative	8,477	7,354	1,123	15.3%
Total other expenses	**$ 36,755**	**$ 32,860**	**$ 3,895**	**11.9%**

Our property operating revenues, which include base rents and tenant escalations and reimbursements ("Property Operating Revenues"), increased by $15.1 million for the three months ended June 30,2005 as compared to the 2004 period. Property Operating Revenues increased by $8.6 million attributable to newly acquired properties during 2005 and $6.9 million in built in rent increases and straight line rental revenue increases in our same store properties. These increases were offset by $0.5.million decrease in termination fees.

Our property operating expenses, real estate taxes and ground rents ("Property Expenses") increased by $3.6 million for the three months ended June 30, 2005 as compared to the 2004 period. The increase is due to a $1.1 million increase in real estate taxes and operating expenses related to our same store properties. Newly acquired properties in 2005 increased property expenses by $2.5 million. The increase in real estate taxes is attributable to the increases levied by certain municipalities, particularly in New York City and Westchester County, New York.

Interest and Investment income and other increased by $501,000 or 15.1% for the three months ended June 30, 2005 as compared to the 2004 period. This increase is primarily a result of an increase in interest income of approximately $1.5 million due to a weighted average increase in our Note Receivable Investments of approximately $56.8 million from the 2004 period. This increase was offset by a decrease of $400,000 in the gain recognized on a land sale and build-to-suit transaction earned in 2004 with no such gain recognized in the 2005 period and a decrease of approximately $550,000 related to real estate tax and other non-tenant related recoveries.

Interest expense incurred increased by $2.7 million or 10.8 % for the three months ended June 30, 2005 as compared to the 2004 period. Approximately $2.3 million of the increase is attributable to the Operating Partnership's senior unsecured notes issued in August 2004 which were not outstanding during the 2004 period and the issuance of $287.5 million of senior unsecured debentures in June 2005. Interest expense also increased by $2.7 million incurred under our unsecured bridge facility, which was funded in May 2005, and $3.3 million incurred under our unsecured revolving credit facility. The increase in interest expense incurred under our unsecured credit facility is a result of an increase in the weighted average balance outstanding and an increase in the weighted average interest rate from 3.2% to 4.2%. The weighted average balance outstanding under our unsecured credit facility was $381.5 million for the three months ended June 30, 2005 as compared to $90.0 million for the three months ended June 30, 2004. During the 2005 period we also incurred approximately $200,000 of interest ineffective costs related to our anticipatory interest rate hedge agreements with no such costs incurred during the 2004 period. These aggregate increases of $8.5 million were off-set by decreases in interest expense of approximately $472,000 incurred under our same store mortgage portfolio and a decrease in interest expense of approximately $5.1 million incurred during the 2004 period from two mortgage notes which were subsequently satisfied.

Marketing, general and administrative expenses increased by $1.1 million for the three months ended June 30, 2005 as compared to the 2004 period. This overall net increase is attributable to increased costs of maintaining offices and infrastructure in each of our five divisional markets, higher compensation costs including amortization expense related to restricted stock awards to non-executive officers and increases in charitable contributions to organizations that operate within our market places. Marketing, general and administrative costs represented 5.8% of total revenues from continuing operations (excluding gains on sales of depreciable real estate assets) in the 2005 period as compared to 5.6% in the 2004 period.

Discontinued operations net of minority interests decreased by approximately $3.5 million for the three months ended June 30, 2005 as compared to the 2004 period. This decrease is primarily attributable to a decrease in the gain on sales related to those properties sold, including their income from discontinued operations in the 2004 period of $3.7 million as compared to $175,000 for the 2005 period.

The following table is a comparison of the results of operations for the six month period ended June 30, 2005 to the six month period ended June 30, 2004 (dollars in thousands):

	Three months ended June 30,			
			Change	
	2005	2004	Dollars	Percent
Property Operating Revenues:				
Base rents	$ 242,095	$ 219,801	$ 22,294	10.1%
Tenant escalations and reimbursements	36,576	35,537	1,039	2.9%
Total property operating revenues	**$ 278,671**	**$ 255,338**	**$ 23,333**	**9.1%**
Property Operating Expenses:				
Operating expenses	$ 64,522	$ 61,142	$ 3,380	5.5%
Real estate taxes	44,958	40,432	4,526	11.2%
Total property operating expenses	**$ 109,480**	**$ 101,574**	**$ 7,906**	**7.8%**
Interest and Investment Income and Other	**$ 6,998**	**$ 8,981**	**$ (1,983)**	**(22.1)%**
Other Expenses:				
Interest expense incurred	$ 50,825	$ 50,268	$ 557	1.1%
Amortization of deferred financing costs	2,059	1,826	233	12.8%
Marketing, general and administrative	16,692	14,401	2,291	15.9%
Total other expenses	**$ 69,576**	**$ 66,495**	**$ 3,081**	**4.6%**

Property Operating Revenues increased by $23.3 million for the six months ended June 30,2005 as compared to the 2004 period. Property Operating Revenues increased by $15.6 million attributable to newly acquired properties during 2005 and $13.2 million in built in rent increases and straight line rental revenue increases in our same store properties. These increases were offset by $5.5 million decrease in termination fees.

Property Expenses increased by $7.9 million for the six months ended June 30, 2005 as compared to the 2004 period. The increase is due to a $3.3 million increase in real estate taxes and operating expenses related to our same store properties. Newly acquired properties in 2005 increased property expenses by $4.6 million. The increase in real estate taxes is attributable to the increases levied by certain municipalities, particularly in New York City and Westchester County, New York.

Interest and Investment income and other decreased by $2.0 million or 22.1% for the six months ended June 30, 2005 as compared to the 2004 period. This decrease is primarily attributable to a decrease of $3.1 million in the gain recognized and related tenant work on a land sale and build-to-suit transaction earned in 2004 with no such gain recognized in the 2005 period, a decrease of approximately $1.3 million related to real estate tax and other non-tenant related recoveries. These aggregate decreases of $4.4 million were mitigated by an increase of $2.3 million in interest income due to a weighted average increase in our Note Receivable Investments of approximately $57.9 million from the 2004 period.

Interest expense incurred increased by $557,000 for the six months ended June 30, 2005 as compared to the 2004 period. This increase is attributable to a net increase in interest expense of $3.4 million attributable a net increase of $50.0 million in the Operating Partnership's senior unsecured notes and its issuance of $287.5 million of senior unsecured debentures in June 2005. Interest expense also increased by $2.7 million incurred under our unsecured bridge facility, which was funded in May 2005, and $5.4 million incurred under our unsecured revolving credit facility. The increase in interest expense incurred under our unsecured credit facility is a result of an increase in the weighted average balance outstanding and an increase in the weighted average interest rate from 3.3% to 4.1%. The weighted average balance outstanding under our unsecured credit facility was $351.0 million for the six months ended June 30, 2005 as compared to $104.9 million for the six months ended June 30, 2004. During the 2005 period we also incurred approximately $200,000 of interest ineffective costs related to our anticipatory interest rate hedge agreements with no such costs incurred during the 2004 period. These aggregate increases of $11.7 million were off-set by decreases in interest expense of approximately $1.0 million incurred under our same store mortgage portfolio and a decrease in interest expense of approximately $9.9 million incurred during the 2004 period from two mortgage notes which were subsequently satisfied.

Marketing, general and administrative expenses increased by $2.3 million for the six months ended June 30, 2005 as compared to the 2004 period. This overall net increase is attributable to increased costs of maintaining offices and infrastructure in each of our five divisional markets, higher compensation costs including amortization expense related to restricted stock awards to non-executive officers, increases in charitable contributions to organizations that operate within our market places and higher accounting fees related to maintaining compliance with the requirements of the Sarbanes-Oxley Act of 2002. Marketing, general and administrative costs represented 5.8% of total revenues from continuing operations (excluding gains on sales of depreciable real estate assets) in the 2005 period as compared to 5.4% in the 2004 period.

Discontinued operations net of minority interests decreased by approximately $9.2 million for the six months ended June 30, 2005 as compared to the 2004 period. This decrease is primarily attributable to a decrease in the gain on sales related to those properties sold, including their income from discontinued operations in the 2004 period of $9.4 million as compared to $175,000 for the 2005 period.

Liquidity and Capital Resources

Historically, rental revenue has been the principal source of funds to pay operating expenses, debt service and non-incremental capital expenditures, excluding incremental capital expenditures. We expect to meet our short-term liquidity requirements generally through our net cash provided by operating activities along with our Credit Facility described below. The Credit Facility contains several financial covenants with which we must be in compliance in order to borrow funds thereunder. During recent quarterly periods, we have incurred significant leasing costs as a result of market demands from tenants and high levels of leasing transactions that result from the re-tenanting of scheduled expirations or space vacated as a result of early terminations of leases. We are also expending costs on tenants that are renewing or extending their leases earlier than scheduled. We have recently experienced high tenanting costs including tenant improvement costs, leasing commissions and free rent in all of our markets. For the three month period ended June 30, 2005, we paid or accrued approximately $13.5 million for tenanting costs including tenant improvement costs and leasing commissions. As a result of these and / or other operating factors, our cash available for distribution from operating activities was not sufficient to pay 100% of the dividends paid on our common equity. However, we are beginning to see a moderation in the cost of retenanting our properties, particularly in terms of free rent concessions and costs to renew existing tenants. To meet the short-term funding requirements relating to the higher leasing costs, we have used proceeds of property sales or borrowings under our Credit Facility. Based on our forecasted leasing, we anticipate that we will continue to incur shortfalls during 2005. We currently intend to fund any shortfalls with proceeds from non-income producing asset sales or borrowings under our Credit Facility. We periodically review our dividend policy to determine the appropriateness of our dividend rate relative to our cash flows. We adjust our distribution rate based on such factors as leasing activity, market conditions and forecasted increases and decreases in our cash flow as well as required distributions of taxable income to maintain REIT status. There can be no assurance that we will maintain the current quarterly distribution level on our common equity.

We expect to meet most of our financing requirements through long-term unsecured borrowings and the issuance of debt and equity securities of the Operating Partnership or the Company. In certain situations, primarily in joint venture transactions, we use secured debt in connection with the acquisition of properties. During the year ended December 31, 2004, the Company issued approximately $436.2 million of common stock and the Operating Partnership issued $300 million of senior unsecured debt securities. In addition, during June 2005, the Operating Partnership issued $287.5 million of exchangeable senior debentures. There can be no assurance that there will be adequate demand for the Company's equity at the time or at the price in which the Company desires to raise capital through the sale of additional equity. Similarly, there can be no assurance that the Operating Partnership will be able to access the unsecured debt markets at the time when the Operating Partnership desires to sell its unsecured notes. In addition, when valuations for commercial real estate properties are high, we will seek to sell certain land inventory to realize value and profit created. We will then seek opportunities to reinvest the capital realized from these dispositions back into value-added assets in our core Tri-State Area markets. However, there can be no assurances that we will be able to identify such opportunities that meet our underwriting criteria. Additionally, we are actively seeking joint venture relationships to access new sources of equity capital. We anticipate that we may sell assets or interests in assets to establish such joint ventures. We may realize cash proceeds from these sales. We would also seek to utilize these joint ventures to acquire assets where we would own a joint venture interest. There can be no assurances that we will be able to successfully execute this strategy. We will refinance existing mortgage indebtedness, senior unsecured notes or indebtedness under our Credit Facility at maturity or retire such debt through the issuance of additional unsecured debt securities or additional equity securities. We anticipate that the current balance of cash and cash equivalents and cash flows from operating activities, together with cash available from borrowings, equity offerings and proceeds from sales of land and non-income producing assets, will be adequate to meet our capital and liquidity requirements in both the short and long-term. Our senior unsecured debt is currently investment grade rated "BBB-" by Fitch Ratings, "BBB-" by Standard & Poor's and "Baa3" by Moody's Investors Service. The rating agencies review the ratings assigned to an issuer such as us on an ongoing basis. Negative changes in our ratings may result in increases in our borrowing costs, including borrowings under our Credit Facility.

Our markets are currently experiencing a recovery in the economic cycle. As a result of current economic conditions, we have experienced higher renewal rates and a lower number of lease terminations. Our results reflect decreased vacancy rates in our markets and our asking rents in our markets have stabilized and in some instances have begun to trend higher. Landlords are still required to grant concessions such as free rent and tenant improvements but at a lower rate than had been experienced in the prior year. Our markets continue to experience higher real estate taxes and utility rates. We believe that trends are moving positively from a landlord's perspective and that the above average tenant costs relating to leasing are decreasing. This trend is supported by increased occupancy and reduced vacancy rates in all of our markets, by the general economic recovery in the market resulting in job growth and the limited new supply of office space.

We carry comprehensive liability, fire, extended coverage and rental loss insurance on all of our properties. Six of our properties are located in New York City. As a result of the events of September 11, 2001, insurance companies were limiting coverage for acts of terrorism in "all risk" policies. In November 2002, the Terrorism Risk Insurance Act of 2002 was signed into law, which, among other things, requires insurance companies to offer coverage for losses resulting from defined "acts of terrorism" through 2005. Our current property insurance coverage, which expires on June 2, 2006, provides for full replacement cost of our properties, including for acts of terrorism up to $540 million on a per occurrence basis.

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

In order to qualify as a REIT for federal income tax purposes, the Company is required to make distributions to its stockholders of at least 90% of REIT taxable income. We expect to use our cash flow from operating activities for distributions to stockholders and for payment of recurring, non-incremental revenue-generating expenditures. We intend to invest amounts accumulated for distribution in short-term investments.

On May 13, 2005, we obtained a $470.0 million unsecured bridge facility (the "Bridge Facility") from Citibank, N.A. The Bridge Facility is for an initial term of six months and we have the option for a six-month extension upon paying a one-time fee of 7.5 basis points on the amount then outstanding. The Bridge Facility has terms, including interest rates and financial covenants, substantially similar to our unsecured $500 million revolving credit facility (the "Credit Facility"), and was amended in June 2005 in the same manner as our Credit Facility as described below. As of June 30, 2005, there was $470.0 million outstanding under the Bridge Facility at an interest rate of 4.04%. On August 3, 2005, net proceeds received from the secured financing of the property located at One Court Square in Queens, NY of approximately $303.5 million were used to repay amounts outstanding under the Bridge Facility.

During the three months ended June 30, 2005, we amended our Credit Facility to, among other things, extend the maturity for one year, modify a financial covenant to increase the percentage that our total indebtedness can represent when compared to the total value of our assets from 55% to 60% and on a temporary basis to 65% upon an acquisition of a material property, reduce the rate of interest on borrowings by 0.10%, modify the capitalization rates used to value our properties for purposes of the financial covenants contained in the Credit Facility, increase the portion of assets and net operating income that may come from minority joint ventures from 5% to 10% and certain other matters.

We currently maintain our $500 million Credit Facility from JPMorgan Chase Bank, as administrative agent, Wells Fargo Bank, National Association as syndication agent and Citicorp, North America, Inc. and Wachovia Bank, National Association as co-documentation agents. The Credit Facility matures in August 2008, contains options for a one-year extension subject to a fee of 25 basis points and, upon receiving additional lender commitments, increasing the maximum revolving credit amount to $750 million. In addition, borrowings under the Credit Facility are currently priced off LIBOR plus 80 basis points and the Credit Facility carries a facility fee of 20 basis points per annum. In the event of a change in the Operating Partnership's senior unsecured credit ratings, the interest rates and facility fee are subject to change. At June 30, 2005, the outstanding borrowings under the Credit Facility aggregated $128.0 million and carried a weighted average interest rate of 4.04% per annum.

We utilize the Credit Facility primarily to finance real estate investments, fund our real estate development activities and for working capital purposes. At June 30, 2005, we had availability under the Credit Facility to borrow approximately an additional $370.8 million, subject to compliance with certain financial covenants. Such amount is net of approximately $1.2 million in outstanding undrawn standby letters of credit, which are issued under the Credit Facility.

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

We continue to seek opportunities to acquire real estate assets in our markets. We have historically sought to acquire properties where we could use our real estate expertise to create additional value subsequent to acquisition. As a result of increased market values for our commercial real estate assets, we have sold certain non-core assets or interests in assets where significant value has been created. During 2003, we sold assets or interests in assets with aggregate sales prices of approximately $350.6 million. In addition, during 2004, we sold assets or interests in assets with aggregate sales prices of approximately $51.4 million, net of minority partner's joint venture interest. We used the proceeds from these sales primarily to pay down borrowings under the Credit Facility, for general corporate purposes and to invest in short-term liquid investments until such time as alternative real estate investments could be made. During 2005 we sold, have under contract to sell or are negotiating to sell approximately $771 million of our real estate properties.

A Class A OP Unit and a share of common stock have similar economic characteristics as they effectively share equally in the net income or loss and distributions of the Operating Partnership. As of June 30, 2005, the Operating Partnership had issued and outstanding 1,617,675 Class A OP Units and 465,845 Class C OP Units. The Class A OP Units and the Company's common stock currently receive a quarterly distribution of $.4246 per unit/share. The Class C OP Units were issued in August 2003 in connection with the contribution of real property to the Operating Partnership and currently receive a quarterly distribution of $.4664 per unit. Subject to certain holding periods, OP Units may either be redeemed for cash or, at the election of the Company, exchanged for shares of common stock on a one-for-one basis.

On June 20, 2005, as part of the consideration to acquire our joint venture partner's 40% interest in the property located at 520 White Plains Road, Tarrytown, NY, we issued 127,510 OP Units valued at $31.37 per OP Unit.

During June 2005 the Operating Partnership issued $287.5 million aggregate principal amount of 4.00% exchangeable senior debentures due June 15, 2025. The debentures were issued at 98% of par and are exchangeable for shares of common stock of the Company on or after June 15, 2024, and also under certain circumstances, at an initial exchange rate of 24.6124 common shares per $1,000 of principal amount of debentures. The initial exchange price of $40.63 represents a premium of approximately 25% to the closing price of the Company's common stock on the issuance date of $32.50 per share. If exchanged in accordance with their terms, the debentures will be settled in cash up to their principal amount and any remaining exchange value will be settled, at our option, in cash, the Company's common stock or a combination thereof. In accordance with the exchange rate terms of the debentures the Company has reserved approximately 8.8 million shares of its authorized common stock, $.01 par value, for potential future issuance upon the exchange of the debentures. Such amount is based on an exchange rate of 30.7692 common shares per $1,000 of principal amount of debentures. Although we have reserved these shares pursuant to the terms of the exchange rate terms, we believe the issuance of our shares, if any, would be significantly less than 8.8 million shares. The debentures are guaranteed by the Company. We have the option to redeem the debentures beginning June 18, 2010 for the principal amount plus accrued and unpaid interest. Holders of the debentures have the right to require us to repurchase their debentures at 100% of the principal amount thereof plus accrued and unpaid interest on June 15, 2010, June 15, 2015 and June 15, 2020 or, in the event of certain change in control transactions, prior to June 15, 2010.

During the three month period ended June 30, 2005, 53,410 shares of the Company's common stock were issued in connection with the exercise of outstanding options to purchase stock under its stock option plans resulting in proceeds to us of approximately $800,000. In addition, a limited partner in the Operating Partnership exchanged 841,992 OP Units for an equal number of shares of the Company's common stock.

The Board of Directors of the Company initially authorized the purchase of up to 5.0 million shares of the Company's common stock. Transactions conducted on the New York Stock Exchange have been, and will continue to be, effected in accordance with the safe harbor provisions of the Securities Exchange Act of 1934 and may be terminated by the Company at any time. Since the Board's initial authorization, the Company has purchased 3,318,600 shares of its common stock for an aggregate purchase price of approximately $71.3 million. In June 2004, the Board of Directors re-set the Company's common stock repurchase program back to 5.0 million shares. No purchases have been made since March, 2003.

The Operating Partnership has issued and outstanding 1,200 preferred units of limited partnership interest with a liquidation preference value of $1,000 per unit and a stated distribution rate of 7.0%, which is subject to reduction based upon terms of their initial issuance (the "Preferred Units"). The terms of the Preferred Units provide for this reduction in distribution rate in order to address the effect of certain mortgages with above market interest rates, which were assumed by the Operating Partnership in connection with properties contributed to the Operating Partnership in 1998.

As of June 30, 2005, the Company had approximately 1.8 million shares of its common stock reserved for issuance under its stock option plans, in certain cases subject to vested terms, at a weighted average exercise price of $24.97 per option. In addition, the Company has approximately 2.8 million shares of its common stock reserved for future issuance under its stock option plans.

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

Capitalization

Our indebtedness at June 30, 2005 totaled approximately $2.1 billion (net of minority partners' interests' share of consolidated joint venture debt) and was comprised of $598.0 million outstanding under the Credit Facility and Bridge Facility, approximately $979.9 million of senior unsecured notes and approximately $476.7 million of mortgage indebtedness with a weighted average interest rate of approximately 7.43% and a weighted average maturity of approximately 3.4 years. Based on our total market capitalization of approximately $4.9 billion at June 30, 2005 (calculated based on the sum of (i) the market value of the Company's common stock and OP Units, assuming conversion, (ii) the liquidation preference value of the Preferred Units and (iii) the $2.1 billion of debt), our debt represented approximately 42.0% of our total market capitalization.

CONTRACTUAL OBLIGATIONS AND COMMERCIAL COMMITMENTS

On June 20, 2005, in connection with the acquisition of our joint venture partner's 40% interest in the property located at 520 White Plains Road, Tarrytown, NY, we assumed approximately $4.1 million of secured mortgage indebtedness of the joint venture. As a result, our total secured debt related to this property at June 30, 2005 was approximately $11.1 million. This mortgage note bears interest at 8.85% per annum and matures on September 1, 2005 at which time the balance will be approximately $10.9 million. We anticipate making a borrowing under our Credit Facility to satisfy the mortgage note at its scheduled maturity date.

During the quarterly period ended June 30, 2005 we entered into anticipatory interest rate hedge instruments totaling $250.0 million to protect ourselves against potentially rising interest rates. These instruments were settled prior to their maturity in exchange for a mortgage rate lock agreement in connection with a 15 year permanent financing on the property located at One Court Square in Queens, NY which closed on August 3, 2005. Costs related to the terminated instruments of approximately $1.4 million were incorporated into the final fixed mortgage rate of 4.905%. At June 30, 2005, the fair value of the mortgage rate lock approximated its carrying value.

We also entered into an additional $200.0 million of anticipatory interest rate hedge instruments during the quarterly period ended June 30, 2005, which are scheduled to coincide with certain secured debt we anticipate incurring on a group of our office properties. These properties are anticipated to be included in a joint venture transaction in the latter part of 2005. As of June 30, 2005, we incurred approximately $207,000 of ineffectiveness related to these hedge instruments, which has been included in interest expense on our consolidated statements of income. At June 30, 2005, the carrying value of these hedge instruments exceeded their fair value by approximately $2.0 million, which has been reflected as accumulated other comprehensive loss with a corresponding increase in accrued expenses and other liabilities on our balance sheet. These instruments were settled on August 1, 2005, at which time their fair value exceeded their carrying value by approximately $1.1 million. Such amount will be classified as an offset to deferred loan costs and amortized against deferred financing costs over the term of the secured debt.

During June 2005, the Operating Partnership issued $287.5 million aggregate principal amount of 4.00% exchangeable senior debentures due June 15, 2025. Interest on the debentures will be payable semi-annually on June 15 and December 15, commencing December 15, 2005. The debentures are callable after June 17, 2010 at 100% of par. In addition, the debentures can be put to us, at the option of the holder and at par, on June 15, 2010, 2015 and 2020. The net proceeds from the offering, after the underwriter's discounts and expenses, were approximately $281 million and were used for repayment of amounts outstanding under our Credit Facility. (See "Liquidity and Capital Resources" for information regarding the terms of the debenture's exchange into our common stock).

The following table sets forth our significant consolidated debt obligations by scheduled principal cash flow payments and maturity date and our commercial commitments by scheduled maturity at June 30, 2005 (in thousands):

	Maturity Date						
	2005	2006	2007	2008	2009	*Thereafter*	Total
Mortgage notes payable (1)	$ 6,449	$ 11,485	$ 8,835	$ 7,705	$ 7,143	$ 7,049	$ 48,666
Mortgage notes payable (2)	29,444	129,920	60,535	—	100,254	246,015	566,168
Senior unsecured notes	—	—	200,000	—	200,000	587,500	987,500
Credit Facility	—	—	—	128,000	—	—	128,000
Bridge Facility	—	470,000	—	—	—	—	470,000
Land lease obligations (3)	2,516	11,740	11,757	11,784	11,869	297,727	347,393
Air rights lease obligations	181	362	362	362	362	3,618	5,247
Operating leases	742	1,389	1,038	555	14	—	3,738
	$ 39,332	$ 624,896	$ 282,527	$ 148,406	$ 319,642	$ 1,141,909	$ 2,556,712

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

Certain of the mortgage notes payable are guaranteed by the Company and/or certain limited partners in the Operating Partnership. In addition, consistent with customary practices in non-recourse lending, certain non-recourse mortgages may be recourse to the Company under certain limited circumstances including environmental issues and breaches of material representations.

As indicated above, on June 30, 2005, we had approximately $2.1 billion of debt outstanding (net of minority partners' interests' share of consolidated joint venture debt). During the three month period ended June 30, 2005, we incurred interest costs related to our debt, including capitalized interest and amortization of deferred finance costs, of approximately $30.7 million. Our rental revenues are our principal source of funds along with our net cash provided by operating activities to meet these and future interest obligations.

At June 30, 2005, we had approximately $1.2 million in outstanding undrawn standby letters of credit issued under our Credit Facility. On July 8, 2005, we issued a $24.0 million standby letter of credit to secure a deposit obligation for the pending acquisition of a 1.1 million Class A office complex located at 204 EAB Plaza in Uniondale, NY. In addition, approximately $42.3 million, or 6.9%, of our mortgage debt is recourse to us.

On August 3, 2005, we placed a first mortgage in the amount of $315.0 million on the property located at One Court Square in Queens, NY. The mortgage note bears interest at a fixed rate of 4.905%, requires monthly payments of interest only through September 1, 2015, the anticipated repayment date ("ARD"). After the ARD, all excess cash flow, as defined, shall be applied to amortize the loan and the interest rate shall be reset to 2% plus the greater of 4.905% and the then-current ten-year U.S. Treasury yield. The final maturity date of the loan is May 1, 2020. The mortgage note is secured by the property and is otherwise non-recourse except in limited circumstances regarding breaches of material representations. As additional collateral for the loan, we may be required to post letters of credit for the benefit of the lender, in the amount of $10.0 million each, during September 2013, March 2014 and September 2014 if Citibank, N.A., the property's current sole tenant, exercises its second cancellation option for up to 20% of its leased space during 2014 and 2015. Net proceeds received of approximately $303.5 million were used to re-pay a portion of our Bridge Facility.

We have given notice to the mortgagee with respect to the mortgage debt on the property located at 200 Summit Lake Drive in Valhalla, NY to pre-pay the mortgage debt during the third calendar quarter of 2005. Pursuant to the terms of the mortgage note, the mortgage may be pre-paid without penalty subsequent to September 1, 2005 and upon notice. The balance of the mortgage note will be approximately $18.1 million on September 1, 2005. We anticipate making a borrowing under our Credit Facility to satisfy this mortgage note on the prepayment date.

Our mortgage debt on the property located at 395 North Service Road in Melville, NY matures on October 28, 2005. We have given notice to the mortgagee to prepay the mortgage debt on September 30, 2005, at which time the balance will be approximately $18.6 million. We anticipate making a borrowing under our Credit Facility to satisfy the mortgage note at its scheduled maturity.

Corporate Governance

A number of shareholder derivative actions have been commenced purportedly on behalf of the Company against the Board of Directors relating to the disposition of our Long Island industrial portfolio. The complaints allege, among other things, that the process by which the directors agreed to the transaction was not sufficiently independent of the Rechler family and did not involve a "market check" or third party auction process and, as a result, was not for adequate consideration. The plaintiffs seek similar relief, including a declaration that the directors violated their fiduciary duties and damages. On May 25, 2004, the Circuit Court for Baltimore City granted the defendants' motions to dismiss the three consolidated Maryland actions on the ground that the plaintiffs in those actions had failed to make a pre-suit demand on the Board of Directors, or to allege facts showing that such a demand would have been futile. Final judgment was entered on June 8, 2004, and on June 30, 2004, the plaintiffs in the Maryland actions filed a notice of appeal from that judgment to the Maryland Court of Special Appeals. The Company's management believes that the complaints are without merit.

On April 4, 2005 the Company and the other parties to the shareholder derivative actions filed against the Company in connection with its disposition of its industrial portfolio have agreed to settle such actions pursuant to the Stipulation of Settlement, dated as of March 14, 2005 and executed subsequent thereto. The proposed settlement includes various changes to the Company's corporate governance policies to provide for an Affiliate Transaction Committee and to require that the Company's Board of Directors be comprised of at least two-thirds independent directors (as defined in the Company's Corporate Governance Guidelines), as well as certain other concessions. The proposed settlement is subject to court approval.

On June 16, 2005, Judge Evelyn Omega Connor of the Circuit Court of Baltimore City signed an order regarding preliminary approval and notice with respect to the shareholder derivative actions. A hearing to consider approval of the proposed settlement has been scheduled for September 20, 2005, at 9:30 a.m., in the Circuit Court for Baltimore City. There can be no assurance that final court approval will be obtained.

Other Matters

In July 2002, as a result of certain provisions of the Sarbanes-Oxley Act of 2002, we discontinued the use of stock loans in our Long Term Incentive Programs ("LTIP"). In connection with LTIP grants made prior to the enactment of the Sarbanes-Oxley Act of 2002, we currently have stock loans outstanding to certain executive officers which were used to purchase 385,000 shares of our common stock. The stock loans were priced at the market prices of our common stock at the time of issuance, bear interest at the mid-term Applicable Federal Rate and are secured by the shares purchased. Such stock loans (including accrued interest) are scheduled to vest and be ratably forgiven each year on the anniversary of the grant date based upon initial vesting periods ranging from seven to ten years. Such forgiveness is based on continued service and in part on the Company attaining certain annual performance measures. These stock loans had an initial aggregate weighted average vesting period of approximately nine years. As of June 30, 2005, there remains 180,714 shares of common stock subject to the original stock loans which are anticipated to vest between 2006 and 2011. Approximately $276,000 and $507,000 and $248,000 and $556,000 of compensation expense was recorded for the three and six month periods ended June 30, 2005 and 2004, respectively, related to these LTIP. Such amounts have been included in marketing, general and administrative expenses on our consolidated statements of income.

The outstanding stock loan balances due from executive officers aggregated approximately $3.8 million and $4.7 million at June 30, 2005 and December 31, 2004, respectively, and have been included as a reduction of additional paid in capital on our consolidated balance sheets. Other outstanding loans to executive and senior officers at June 30, 2005 and December 31, 2004 amounted to approximately $1.8 million and $2.7 million, respectively, and are included in investments in affiliate loans and joint ventures on the accompanying consolidated balance sheets and are primarily related to tax payment advances on stock compensation awards and life insurance contracts made to certain executive and non-executive officers.

In November 2002 and March 2003, an award of rights was granted to certain executive officers of the Company (the "2002 Rights" and "2003 Rights", respectively and collectively, the "Rights"). Each Right represents the right to receive, upon vesting, one share of common stock if shares are then available for grant under one of the Company's stock option plans or, if shares are not so available, an amount of cash equivalent to the value of such stock on the vesting date. The 2002 Rights vest in four equal annual installments beginning on November 14, 2003 (and shall be fully vested on November 14, 2006). The 2003 Rights were earned on March 13, 2005 and vest in three equal annual installments beginning on March 13, 2005 (and shall be fully vested on March 13, 2007). Dividends on the shares will be held by the Company until such shares become vested, and will be distributed thereafter to the applicable officer. The 2002 Rights also entitle the holder thereof to cash payments in respect of taxes payable by the holder resulting from the 2002 Rights. The 2002 Rights aggregate 62,835 shares of the Company's common stock and the 2003 Rights aggregate 26,040 shares of common stock. As of June 30, 2005, there remains 31,417 shares of common stock reserved related to the 2002 Rights and 17,360 shares of common stock reserved related to the 2003 Rights. Approximately $120,000 and $224,000 and $100,000 and $201,000 of compensation expense was recorded for the three and six month periods ended June 30, 2005 and 2004, respectively, related to the Rights. Such amounts have been included in marketing, general and administrative expenses on our consolidated statements of income.

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

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

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

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

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

On March 13, 2005 and March 13, 2004, with respect to the 2003 LTIP, the Company met its annual performance measure with respect to the 2004 and 2003 annual measurement periods, respectively. As a result, the Company has issued to the participants of the 2003 LTIP 102,779 and 206,944 shares of its common stock, respectively, related to the core component of the 2003 LTIP.

The terms of each award of LTIP Units are substantially similar to those of the core awards under the 2003 LTIP. The vesting, performance hurdles and timing for vesting remain unchanged. However, an LTIP Unit represents an equity interest in the Operating Partnership, rather than the Company. At issuance, the LTIP Unit has no value but may over time accrete to a value equal to (but never greater than) the value of one share of common stock of the Company (a “REIT Share”). Initially, LTIP Units will not have full parity with OP Units with respect to liquidating distributions. Upon the occurrence of certain “triggering events,” the Operating Partnership will revalue its assets for the purpose of the capital accounts of its partners and any increase in valuation of the Operating Partnership’s assets from the date of the issuance of the LTIP Units through the “triggering event” will be allocated to the capital accounts of holders of LTIP Units until their capital accounts are equivalent to the capital accounts of holders of OP Units. If such equivalence is reached, LTIP Units would achieve full parity with OP Units for all purposes, and therefore accrete to an economic value equivalent to REIT Shares on a one-for-one basis. After two years from the date of grant, if such parity is reached, vested LTIP Units may be redeemed for cash in an amount equal to the then fair market value of an equal number of REIT Shares or converted into an equal number of OP Units, as determined by the Company’s Compensation Committee. However, there are circumstances under which such economic equivalence would not be reached. Until and unless such economic equivalence is reached, the value that the officers will realize for vested LTIP Units will be less than the value of an equal number of REIT Shares. In addition, unlike core awards under the 2003 LTIP (wherein dividends that accumulate are paid upon vesting), LTIP Units will receive the same quarterly distributions as OP Units on a current basis, thus providing full dividend equivalence with REIT Shares. At the scheduled March 2005 vesting date, the specified performance hurdles were met, and officers that received LTIP Units received a one-time cash payment that represented payment of the full vested amount of the accrued unpaid dividends under the core award of the 2003 LTIP through December 27, 2004, the issuance date of the LTIP Units. In addition, the officers, in the aggregate, vested in 104,167 LTIP Units. In order to more closely replicate the terms of the core awards being rescinded, the Company also entered into agreements with three executive officers, which provide that in the event of a change of control the executive shall receive the equivalent value of one REIT Share for each LTIP Unit.

In March 2005, following the recommendation of the Compensation Committee of the Board of Directors, eight senior and executive officers of the Company were awarded, in the aggregate, 272,100 LTIP Units to continue to incentivize them for the long-term (the “2005 LTIP Unit Grants”). Each such LTIP Unit awarded is deemed equivalent to an award of one share of common stock reserved under one of the Company’s stock option plans, reducing availability for other equity awards on a one-for-one basis. The terms of the 2005 LTIP Unit Grants are generally consistent with the terms of the 2003 LTIP, including with respect to the impact upon vesting in the event of a change in control.

As of June 30, 2005, and as a result of the foregoing, there remains 155,553 shares of common stock reserved for future issuance under the core award of the 2003 LTIP and 530,443 shares of common stock reserved for issuance with respect to the issuance of LTIP Units. With respect to the core award of the 2003 LTIP, the Company recorded approximately $305,000 and $610,000 and $699,000 and $1.4 million of compensation expense for the three and six month periods ended June 30, 2005 and 2004, respectively. In addition, with respect to the LTIP Units and the 2005 LTIP Unit Grants, the Company recorded compensation expense of approximately $822,000 and $1.3 million for the three and six month periods ended June 30, 2005, respectively. Such amounts have been included in marketing, general and administrative expenses on our consolidated statements of income. No accrual has been made with respect to the Special Outperformance Pool of the 2003 LTIP due to the uncertainty of the outcome of achieving the requisite performance measures.

Compensation expense with respect to the core component of the 2003 LTIP, which relates to the Company attaining certain annual performance measures, is recognized in accordance with paragraph 26 of Statement No. 123 as a “target stock price” plan. Under this type of plan, compensation expense is recognized for the target stock price awards whether or not the targeted stock price condition is achieved as long as the underlying service conditions are achieved. Accordingly, we obtained an independent third party valuation of the 2003 LTIP awards and recognize compensation expense on a straight-line basis through the vesting period for awards to employees who remain in service over the requisite period regardless of whether the target stock price has been reached.

Compensation expense with respect to the core component of the 2003 LTIP, which relates to the continued service of the grantee, is recognized in accordance with Statement No. 123 in which compensation expense is recognized on a straight-line basis through the vesting period based on the fair market value of the stock on the date of grant.

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

We expect to adopt Statement No. 123R on January 1, 2006; however, we have not yet been able to determine the impact of Statement No. 123R on our consolidated financial statements at this time.

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

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

Soil, sediment and groundwater contamination, consisting of volatile organic compounds (“VOCs”) and metals, has been identified at the property at 32 Windsor Place, Central Islip, NY. The contamination is associated with industrial activities conducted by a tenant at the property over a number of years. The contamination, which was identified through an environmental investigation conducted on behalf of us, has been reported to the New York State Department of Environmental Conservation. We have notified the tenant of the findings and have demanded that the tenant take appropriate actions to fully investigate and remediate the contamination. Under applicable environmental laws, both the tenant and we are liable for the cost of investigation and remediation. We do not believe that the cost of investigation and remediation will be material and we have recourse against the tenant. However, there can be no assurance that we will not incur liability that would have a material adverse effect on our business.

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

Two of our office properties that are held in joint ventures contain certain limitations on transfer. These limitations include requiring the consent of the joint venture partner to transfer a property prior to various specified dates, rights of first offer, and buy / sell provisions.

Off Balance Sheet Arrangements

Our only off-balance sheet arrangements are our approximate 5% indirect ownership interest in a joint venture that owns an investment in a New York City Class A office tower and our joint venture interest in RSVP. (For a more detailed description of these arrangements see “Overview and Background” of this Item.)

Funds from Operations

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

We compute FFO in accordance with the standards established by NAREIT. FFO does not represent cash generated from operating activities in accordance with GAAP and is not indicative of cash available to fund cash needs. FFO should not be considered as an alternative to net income as an indicator of our operating performance or as an alternative to cash flow as a measure of liquidity. Since all companies and analysts do not calculate FFO in a similar fashion, our calculation of FFO presented herein may not be comparable to similarly titled measures as reported by other companies.

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

	Three months ended June 30,		Six months ended, June 30,	
	2005	2004	2005	2004
Net income allocable to common unitholders	$ 18,336	$ 13,744	$ 36,389	$ 30,644
Adjustments for basic Funds From Operations				
Add:				
Real estate depreciation and amortization	30,175	28,854	57,488	57,411
Minority partners’ interests in consolidated partnerships	6,791	6,811	13,503	13,136
Deduct:				
Gain on sales of depreciable real estate	—	6,174	—	11,330
Amounts distributable to minority partners’ in consolidated partnerships	5,478	6,411	11,202	14,915
Basic Funds From Operations	49,824	36,824	96,178	74,946
Weighted Average units outstanding	84,464	70,443	84,389	67,679

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 / R&D leases generally provide for fixed base rent increases, direct pass through of certain operating expenses and separate real estate tax escalations over a base amount. We believe that inflationary increases in expenses will be mitigated by contractual rent increases and expense escalations described above. As a result of the impact of the events of September 11, 2001, we have realized increased insurance costs, particularly relating to property and terrorism insurance, and security costs. We have included these costs as part of our escalatable expenses and have billed them to our tenants consistent with the terms of the underlying leases and believes they are collectible. To the extent our properties contain vacant space, we will bear such inflationary increases in expenses.

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

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

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

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

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

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

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

The following table sets forth our long-term debt obligations by scheduled principal cash flow payments and maturity date, weighted average interest rates and estimated FMV at June 30, 2005 (dollars in thousands):

	For the Year Ended December 31							
	2005	2006	2007	2008	2009	Thereafter	Total (1)	FMV
Long term debt:								
Fixed rate	$ 35,893	$ 141,405	$ 269,370	$ 7,705	$ 307,397	$ 840,564	$ 1,602,334	$ 1,672,895
Weighted average interest rate	7.39%	7.38%	7.14%	7.35%	7.73%	5.44%	6.39%	
Variable rate	$ —	$ 470,000	$	$ 128,000	$ —	$ —	$ 598,000	$ 598,000
Weighted average interest rate	—	4.04%	%	4.04%	—	—	4.04%	

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

In addition, we have assessed the market risk for our variable rate debt, which is based upon LIBOR, and believe that a one percent increase in the LIBOR rate would have an approximate $6.0 million annual increase in interest expense based on $598.0 million of variable rate debt outstanding at June 30, 2005.

The following table sets forth our Note Receivable Investments by scheduled maturity date, weighted average interest rates and estimated FMV at June 30, 2005 (dollars in thousands):

	For the Year Ended December 31							
	2005	2006	2007	2008	2009	Thereafter	Total (1)	FMV
Note Receivable Investments:								
Fixed rate	$ 900	$ —	$ 16,990	$ —	$ —	$ 105,791[2]	$ 123,681	$ 103,220[2]
Weighted average interest rate	12.00%	—	12.00%	—	—	9.02%	9.54%	
Variable rate	$ 27,592	$ —	$ —	$ —	$ 500	$ —	$ 28,092	$ 28,092
Weighted average interest rate	14.19%	—	—	—	3.41%	—	14.00%	

(1) Excludes interest receivables and unamortized acquisition costs aggregating approximately $4.8 million.
(2) Our investment balance, with respect to a participating loan investment, includes approximately $21.2 million of accretive interest which is due at maturity. The FMV calculation considers only accretive interest recorded through June 30, 2005.

In addition, we have assessed the market risk for our variable rate receivables, which are based upon LIBOR, and believe that a one percent increase in the LIBOR rate would have an approximate $2.8 million annual increase in interest income based on $28.1 million of variable rate receivables outstanding at June 30, 2005.

ITEM 4. CONTROLS AND PROCEDURES

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

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

SELECTED PORTFOLIO INFORMATION

The following table sets forth our schedule of top 25 tenants based on base rental revenue as of June 30, 2005:

Tenant Name [1] [2] [3]	Wtd. Avg. Term Remaining (years)	Total Square Feet	Percent of Pro Rata Share of Annualized Base Rental Revenue	Percent of Consolidated Annualized Base Rental Revenue
* Citigroup / Citibank	13.4	1,603,194	8.5%	7.9%
* Debevoise & Plimpton	16.5	586,528	3.7%	6.4%
King & Spalding	6.6	180,391	2.1%	1.8%
Verizon Communications Inc.	2.1	266,404	1.8%	1.6%
* American Express	8.2	129,818	1.6%	1.5%
* Schulte Roth & Zabel	15.4	279,746	1.5%	2.6%
Amerada Hess Corporation	22.5	127,300	1.4%	1.2%
* Bank of America/Fleet Bank	5.1	215,061	1.2%	1.1%
* Fuji Photo Film USA	7.2	194,984	1.2%	1.1%
D.E. Shaw	9.1	144,005	1.2%	1.1%
* MCI	1.6	244,730	1.1%	1.0%
Dun & Bradstreet Corp.	7.3	123,000	1.0%	0.9%
Arrow Electronics Inc.	8.5	163,762	1.0%	0.9%
* Schering-Plough Corporation	1.0	152,970	0.9%	0.9%
T.D. Waterhouse	2.1	103,381	0.9%	0.8%
Westdeutsche Landesbank	10.8	53,000	0.9%	0.8%
North Fork Bank	13.5	126,770	0.8%	0.7%
Practicing Law Institute	8.7	77,500	0.8%	0.7%
* State Farm	3.3	189,310	0.8%	1.2%
Vytra Healthcare	2.5	105,613	0.8%	0.7%
* Banque Nationale De Paris	11.1	145,834	0.8%	1.3%
Laboratory Corp. Of America	1.9	108,000	0.7%	0.6%
P.R. Newswire Associates	2.9	67,000	0.7%	0.6%
* HQ Global	3.3	126,487	0.7%	0.7%
County of Nassau	16.3	219,066	0.7%	0.6%

(1) Ranked by pro rata share of annualized base rental revenue adjusted for pro rata share of joint venture interests.
(2) Excludes One Orlando Centre in Orlando, Florida.
(3) Total square footage is based on currently leased space and excludes expansions or leases with future start dates.
* Part or all of space occupied by tenant is in a 51% or more owned joint venture building.

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

The following table sets forth annual and per square foot non-incremental revenue-generating capital expenditures in which we paid or accrued, during the respective periods, to retain revenues attributable to existing leased space (at 100% of cost) for the years 2001 through 2004 and for the six month period ended June 30, 2005 for our consolidated office and industrial / R&D properties other than One Orlando Centre in Orlando, FL:

	2001	2002	2003	2004	Average 2001-2004	YTD 2005
Suburban Office Properties						
Total	$ 4,606,069	$ 5,283,674	$ 6,791,336	$ 7,034,154	$ 5,928,783	$ 3,602,995
Per Square Foot	$ 0.45	$ 0.53	$ 0.67	$ 0.69	$ 0.58	$ 0.33
NYC Office Properties						
Total	$ 1,584,501	$ 1,939,111	$ 1,922,209	$ 2,515,730	$ 1,990,388	$ 1,260,701
Per Square Foot	$ 0.45	$ 0.56	$ 0.55	$ 0.56	$ 0.53	$ 0.24
Industrial Properties						
Total	$ 711,666	$ 1,881,627	$ 1,218,401[1]	$ 207,028	$ 1,004,681	$ 0
Per Square Foot	$ 0.11	$ 0.28	$ 0.23	$ 0.23	$ 0.21	$ 0.00

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

The following table sets forth annual and per square foot non-incremental revenue-generating tenant improvement costs and leasing commissions (at 100% of cost) which we committed to perform, during the respective periods, to retain revenues attributable to existing leased space for the years 2001 through 2004 and for the six month period ended June 30, 2005 for our consolidated office and industrial / R&D properties other than One Orlando Centre in Orlando, FL:

	2001	2002	2003	2004	Average 2001-2004	YTD 2005	New	Renewal
Long Island Office Properties								
Tenant Improvements	$ 2,722,457	$ 1,917,466	$ 3,774,722	$ 4,856,604	$ 3,317,812	$ 2,709,674	$ 1,902,050	$ 807,624
Per Square Foot Improved	$ 8.47	$ 7.81	$ 7.05	$ 8.78	$ 8.03	$ 10.89	$ 11.40	$ 9.85
Leasing Commissions	$ 1,444,412	$ 1,026,970	$ 2,623,245	$ 2,345,325	$ 1,859,988	$ 963,552	$ 775,265	$ 188,287
Per Square Foot Leased	$ 4.49	$ 4.18	$ 4.90	$ 4.24	$ 4.45	$ 3.87	$ 4.65	$ 2.30
Total Per Square Foot	$ 12.96	$ 11.99	$ 11.95	$ 13.02	$ 12.48	$ 14.76	$ 16.05	$ 12.15
Westchester Office Properties								
Tenant Improvements	$ 2,584,728	$ 6,391,589(1)	$ 3,732,370	$ 6,323,134	$ 4,757,955	$ 2,097,017	$ 1,737,286	$ 359,731
Per Square Foot Improved	$ 5.91	$ 15.05	$ 15.98	$ 11.95	$ 12.22	$ 13.73	$ 21.70	$ 4.95
Leasing Commissions	$ 1,263,012	$ 1,975,850(1)	$ 917,487	$ 2,671,548	$ 1,706,974	$ 689,636	$ 534,986	$ 154,650
Per Square Foot Leased	$ 2.89	$ 4.65	$ 3.93	$ 5.05	$ 4.13	$ 4.51	$ 6.68	$ 2.13
Total Per Square Foot	$ 8.80	$ 19.70	$ 19.91	$ 17.00	$ 16.35	$ 18.24	$ 28.38	$ 7.08
Connecticut Office Properties								
Tenant Improvements	$ 213,909	$ 491,435	$ 588,087	$ 3,051,833	$ 1,086,316	$ 2,897,613	$ 2,365,430	$ 532,183
Per Square Foot Improved	$ 1.46	$ 3.81	$ 8.44	$ 12.71	$ 6.60	$ 16.53	$ 33.11	$ 5.12
Leasing Commissions	$ 209,322	$ 307,023	$ 511,360	$ 1,493,664	$ 630,342	$ 782,007	$ 582,809	$ 199,198
Per Square Foot Leased	$ 1.43	$ 2.38	$ 7.34	$ 6.22	$ 4.34	$ 4.46	$ 8.16	$ 1.92
Total Per Square Foot	$ 2.89	$ 6.19	$ 15.78	$ 18.93	$ 10.94	$ 20.99	$ 41.27	$ 7.04
New Jersey Office Properties								
Tenant Improvements	$ 1,146,385	$ 2,842,521	$ 4,327,295	$ 1,379,362	$ 2,423,891	$ 744,766	$ 623,531	$ 121,235
Per Square Foot Improved	$ 2.92	$ 10.76	$ 11.57	$ 7.12	$ 8.09	$ 11.09	$ 20.91	$ 3.25
Leasing Commissions	$ 1,602,962	$ 1,037,012	$ 1,892,635	$ 832,658	$ 1,341,317	$ 545,651	$ 410,782	$ 134,869
Per Square Foot Leased	$ 4.08	$ 3.92	$ 5.06	$ 4.30	$ 4.34	$ 8.12	$ 13.78	$ 3.61
Total Per Square Foot	$ 7.00	$ 14.68	$ 16.63	$ 11.42	$ 12.43	$ 19.21	$ 34.69	$ 6.86
New York City Office Properties								
Tenant Improvements	$ 788,930	$ 4,350,106	$ 5,810,017(2)(3)	$ 9,809,822(3)(4)	$ 5,189,719	$ 5,128,847(2)	$ 5,128,847(2)	$ 0
Per Square Foot Improved	$ 15.69	$ 18.39	$ 32.84	$ 23.21	$ 22.53	$ 26.44	$ 31.85	$ 0.00
Leasing Commissions	$ 1,098,829	$ 2,019,837	$ 2,950,330(2)	$ 3,041,141(4)	$ 2,277,534	$ 2,001,046(2)	$ 1.971,069(2)	$ 29,977
Per Square Foot Leased	$ 21.86	$ 8.54	$ 16.68	$ 7.19	$ 13.57	$ 10.32	$ 12.24	$ 0.91
Total Per Square Foot	$ 37.55	$ 26.93	$ 49.52	$ 30.40	$ 36.10	$ 36.76	$ 44.09	$ 0.91
Industrial Properties								
Tenant Improvements	$ 1,366,488	$ 1,850,812	$ 1,249,200	$ 310,522	$ 1,194,256	$ 85,293	$ 85,293	$ 0
Per Square Foot Improved	$ 1.65	$ 1.97	$ 2.42	$ 2.27	$ 2.08	$ 14.60	$ 14.60	$ 0.00
Leasing Commissions	$ 354,572	$ 890,688	$ 574,256	$ 508,198	$ 581,928	$ 0	$ 0	$ 0
Per Square Foot Leased	$ 0.43	$ 0.95	$ 1.11	$ 3.71	$ 1.55	$ 0.00	$ 0.00	$ 00
Total Per Square Foot	$ 2.08	$ 2.92	$ 3.53	$ 5.98	$ 3.63	$ 14.60	$ 14.60	$ 0.00

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

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

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

(4) Excludes 86,800 square feet related to Westpoint Stevens early renewal. There were no tenant improvements or leasing costs associated with this transaction. Also excludes $1.4 million of tenant improvements and $1.2 million of leasing commissions related to a 74,293 square foot lease to Harper Collins Publishers with a lease commencement date in 2006. Also excludes Bank of America retail lease with $0.6 million of tenant improvements and $0.8 million of leasing commissions.

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

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

	Six months ended June 30,	
	2005	2004
Capital expenditures:		
Non-incremental	$ 4,864	$ 4,069
Incremental	5,059	1,085
Tenant improvements:		
Non-incremental	11,871	9,672
Incremental	8,697	2,976
Additions to commercial real estate properties	$ 30,491	$ 17,802
Leasing costs:		
Non-incremental	$ 6,833	$ 6,764
Incremental	2,275	1,913
Payment of deferred leasing costs	$ 9,108	$ 8,677
Acquisition and development costs	$ 22,590	$ 12,977

The following table sets forth our lease expiration table, as adjusted for pre-leased space, at July 1, 2005 for our Total Portfolio of properties, our Office Portfolio and our Industrial / R&D Portfolio:

Total Portfolio

Year of Expiration	Number of Leases Expiring	Square Feet Expiring	% of Total Portfolio Sq Ft	Cumulative % of Total Portfolio Sq Ft
2005	89	515,905	2.9%	2.9%
2006	192	1,787,920	10.1%	13.0%
2007	127	1,292,894	7.3%	20.3%
2008	133	1,096,099	6.2%	26.5%
2009	121	1,309,852	7.5%	34.0%
2010 and thereafter	480	10,294,864	58.2%	92.2%
Total/Weighted Average	1,142	16,297,534	92.2%	
Total Portfolio Square Feet		17,679,890		

Office Portfolio

Year of Expiration	Number of Leases Expiring	Square Feet Expiring	% of Total Office Sq Ft	Cumulative % of Total Portfolio Sq Ft
2005	87	499,755	3.0%	3.0%
2006	189	1,702,935	10.1%	13.1%
2007	124	1,240,372	7.4%	20.5%
2008	131	1,063,856	6.3%	26.8%
2009	120	1,264,871	7.5%	34.3%
2010 and thereafter	472	9,903,607	58.9%	93.2%
Total/Weighted Average	1,123	15,675,396	93.2%	
Total Office Portfolio Square Feet		16,816,495		

Industrial/R&D Portfolio

Year of Expiration	Number of Leases Expiring	Square Feet Expiring	% of Total Industrial/R&D Sq Ft	Cumulative % of Total Portfolio Sq Ft
2005	2	16,150	1.9%	1.9%
2006	3	84,985	9.8%	11.7%
2007	3	52,522	6.1%	17.8%
2008	2	32,243	3.7%	21.5%
2009	1	44,981	5.2%	26.7%
2010 and thereafter	8	391,257	45.4%	72.1%
Total/Weighted Average	19	622,138	72.1%	
Total Industrial/R&D Portfolio Square Feet		863,395		

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Part II – Other Information

Item 1. Legal Proceedings

On April 4, 2005 the Company and the other parties to the shareholder derivative actions filed against the Company in connection with its disposition of its industrial portfolio have agreed to settle such actions pursuant to the Stipulation of Settlement, dated as of March 14, 2005 and executed subsequent thereto. The proposed settlement includes various changes to the Company's corporate governance policies to provide for an Affiliate Transaction Committee and to require that the Company's Board of Directors be comprised of at least two-thirds independent directors (as defined in the Company's Corporate Governance Guidelines), as well as certain other concessions. The proposed settlement is subject to court approval.

Except as provided above, the Company is not presently subject to any material litigation nor, to the Company's knowledge, is any litigation threatened against the Company, other than routine actions for negligence or other claims and administrative proceedings arising in the ordinary course of business, some of which are expected to be covered by liability insurance and all of which collectively are not expected to have a material adverse effect on the liquidity, results of operations or business or financial condition of the Company.

On June 16, 2005, Judge Evelyn Omega Connor of the Circuit Court of Baltimore City signed an order regarding preliminary approval and notice with respect to the shareholder derivative actions. A hearing to consider approval of the proposed settlement has been scheduled for September 20, 2005, at 9:30 a.m., in the Circuit Court for Baltimore City.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds – None

Item 3. Defaults Upon Senior Securities – None

Item 4. Submission of Matters to a Vote of Securities Holders – None

Item 5. Other information

a) None
b) There have been no material changes to the procedures by which stockholders may recommend nominees to the Company's Board of Directors.

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Item 6. Exhibits

Exhibits

10.1 Reckson Associates Realty Corp. 2005 Stock Option Plan.
10.2 Contract of Sale, made as of July 8, 2005, between Galaxy LI Associates LLC, as seller, and Reckson EAB LLC, as buyer.
10.3 Note, dated August 3, 2005 by Reckson Court Square, LLC (Borrower), in favor of German American Capital Corporation (Lender).
10.4 Loan and Security Agreement, dated as of August 3, 2005 between Reckson Court Square, LLC and German American Capital Corporation.
31.1 Certification of Scott H. Rechler, Chairman of the Board, Chief Executive Officer, President and Director of Reckson Associates Realty Corp., the sole general partner of the Registrant, pursuant to Rule 13a – 14(a) or Rule 15(d) – 14(a).
31.2 Certification of Michael Maturo, Executive Vice President, Treasurer and Chief Financial Officer of Reckson Associates Realty Corp., the sole general partner of the Registrant, pursuant to Rule 13a – 14(a) or Rule 15(d) – 14(a).
32.1 Certification of Scott H. Rechler, Chairman of the Board, Chief Executive Officer, President and Director of Reckson Associates Realty Corp., the sole general partner of the Registrant, pursuant to Section 1350 of Chapter 63 of Title 18 of the United States Code.
32.2 Certification of Michael Maturo, Executive Vice President, Treasurer and Chief Financial Officer of Reckson Associates Realty Corp., the sole general partner of the Registrant, pursuant to Section 1350 of Chapter 63 of Title 18 of the United States Code.

Signatures

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

Reckson Operating Partnership, L. P.

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

By: /s/ Michael Maturo
Michael Maturo
Executive Vice President,
Treasurer and Chief Financial Officer
of Reckson Associates Realty Corp., the general
partner of the Registrant

Date: August 8, 2005

Exhibit 10.1

RECKSON ASSOCIATES REALTY CORP.
2005 STOCK OPTION PLAN

ARTICLE 1. GENERAL

1.1. Purpose. The purpose of the Reckson Associates Realty Corp. 2005 Stock Option Plan (the "Plan") is to provide for certain officers, directors and employees 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")), "outside directors" (within the meaning of Code Section 162(m)) and "independent directors" (within the meaning of Section 303A of the Listed Company Manual of the New York Stock Exchange, Inc.); however, the mere fact that a Committee member shall fail to qualify under any 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 the Company's Chief Executive Officer (the "Proper Officer") its authority to grant awards under the Plan to employees, excluding those employees who are executive officers ("Non-Executive Officers"), provided that (a) the aggregate number of shares of Common Stock and/or OP Units granted to any Non-Executive Officer during any calendar year shall not exceed an aggregate of 100,000 shares and/or units and (b) the Proper Officer shall report annually to the Committee regarding the material terms of awards granted to any Non-Executive Officers.

(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 employees 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 restricted stock and/or restricted stock unit awards granted (i) automatically or (ii) at the discretion of the Committee 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, (iii) unrestricted stock awards, (iv) restricted stock unit awards and (v) LTIP Unit awards, all as more fully set forth in Articles 2 and 3. The Committee also may grant such other awards that are denominated or payable in, valued in whole or in part by reference to, or otherwise based on or related to, shares of Common Stock as are deemed by the Committee to be consistent with the purposes of the Plan. Grants 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.

(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").

(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/Units 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 and/or OP Units with respect to which awards may be granted under the Plan, shall equal the excess (if any) of an aggregate of 2,000,000 shares of Common Stock and/or OP Units, over (i) the number of shares of Common Stock and/or OP Units subject to outstanding awards, (ii) the number of shares and/or units in respect of which options have been exercised, grants of restricted or unrestricted Common Stock, LTIP Units or restricted stock units have been made pursuant to the Plan and (iii) the number of shares and/or units issued subject to forfeiture restrictions which have lapsed. In any calendar year, a person eligible for awards under the Plan may not be granted options under the Plan covering a total of more than 250,000 shares of Common Stock.

In accordance with (and without limitation upon) the preceding sentence, awards may be granted in respect of the following shares of Common Stock and/or OP Units: 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) Shares of Common Stock and/or OP Units that shall be subject to issuance pursuant to the Plan shall be authorized and unissued or treasury shares of Common Stock or OP Units, or shares of Common Stock purchased on the open market or from stockholders of the Company for such purpose, or OP Units purchased from unitholders of Reckson Operating Partnership, L.P. (the "Operating Partnership"), the Company's operating partnership, for such purpose.

1.6. Definitions of Certain Terms.

(a) The term "Affiliate" as used herein means the Operating Partnership, Reckson FS Limited Partnership, RANY Management Group, Inc., Reckson Finance, Inc., Reckson Management Group, Inc., Reckson Construction Group, Inc., Reckson Construction Group New York Inc., Reckson Construction & Development, LLC, Metropolitan Partners LLC, any person or entity that directly, or indirectly through one or more intermediaries, controls, is controlled by, or is under common control with, the Company, or any other person or entity as subsequently approved by the Board.

(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 or her material duties to the Company or its Affiliates; (ii) defaulted in the performance of his or her 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 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) if 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 Common 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 Common 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.

(e) The term "LTIP Unit" shall mean an OP Unit, granted to a grantee pursuant to Article 3, that is subject to the restrictions set forth in such Article.

(f) The term "OP Unit" shall mean a unit of partnership interest in the Operating Partnership.

(a) The term "Restricted Period" shall mean, in relation to shares of restricted stock, restricted stock units, LTIP Units or Common Stock received upon the exercise of options, the period determined by the Committee, during which restrictions on the transferability of such shares of restricted stock, restricted stock units, LTIP Units or Common Stock received upon the exercise of options are in effect.

(g) The term "restricted stock unit" shall mean a right, granted to a grantee pursuant to Article 3, to receive either (i) an amount in cash equal to the FMV of one share of Common Stock or (ii) one share of Common Stock, as provided by the Committee at the time of grant.

1.7. Agreements Evidencing Awards.

(a) Option, restricted stock, LTIP Unit and restricted stock unit 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 or OP Units, as applicable, 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) by withholding shares of Common Stock from the shares otherwise issuable pursuant to the exercise.

(c) 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 employment 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, (i) the Plan must be approved by the Company's stockholders in accordance with the requirements of Code Section 422(b) and (ii) 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, UNRESTRICTED STOCK, RESTRICTED STOCK UNIT AND LTIP UNIT 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 by Grantee. 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.

(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 or her 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 (or, if longer, until the completion of the Restricted Period). 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.

3.3. Restricted Stock Unit Awards.

(a) Grant of Awards. The Committee may grant restricted stock unit 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 unit awards may be made in lieu of, or in tandem with, other cash compensation and bonuses. The vesting of a restricted stock unit 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 by Grantee. Each Plan Agreement with respect to a restricted stock unit 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 unit 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.

(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 or her restricted stock unit 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 unit awards is not satisfied within the period of time permitted therefor, such unvested restricted stock units shall be returned to the Company.

(d) Dividend Equivalent Rights. To the extent expressly provided by the Committee at the time of grant, each restricted stock unit granted under this Section 3.3 shall also generate DERs, which shall entitle the grantee to receive, with respect to each such restricted stock unit, a cash amount (or, if the Committee so determines, a number of additional restricted stock units having a value equal to the amount of such dividend payment based on the FMV per share of a share of Common Stock on the date of such additional grant), in the same manner, at the same time and in the same amount paid, as such dividend.

(e) Restriction on Transfer. No restricted stock unit may be assigned, transferred, otherwise encumbered or disposed of by the grantee until such restricted stock unit has vested in accordance with the term of the award (or, if longer, until the completion of the Restricted Period).

(f) Payment to Grantee. Once the restricted stock units have vested (or, if longer, following the completion of the Restricted Period), there shall be paid to the grantee, as determined by the Committee, either (1) an amount in cash equal to the FMV per share of one share of Common Stock for each vested restricted stock unit measured on the last trading day of the vesting period (or, if longer, the Restricted Period), or (2) one share of Common Stock for each vested restricted stock unit, free of restrictions. For restricted stock units satisfied in shares of Common Stock, the Company shall issue to the grantee (or to the grantee's designated beneficiary in the event of the grantee's death) one or more certificates for the appropriate number of shares of Common Stock.

(g) Grantees' Rights Regarding Restricted Stock Units. With respect to restricted stock units satisfied in shares of Common Stock, prior to the settlement of the restricted stock units in shares of Common Stock pursuant to the terms of the Plan Agreement, the grantee shall have no rights as a stockholder of the Company with respect to such restricted stock units or such underlying shares of Common Stock.

3.4. LTIP Unit Awards.

(a) Grant of Awards. The Committee may grant LTIP Unit 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 LTIP Unit awards may be made in lieu of, or in tandem with, other cash compensation and bonuses. The vesting of an LTIP Unit 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 by Grantee. Each Plan Agreement with respect to an LTIP Unit 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 an LTIP Unit 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.

(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 or her LTIP Unit 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 LTIP Unit awards is not satisfied within the period of time permitted therefor, such unvested LTIP Units shall be returned to the Company.

(d) Issuance of LTIP Units; Grantee's Rights Regarding LTIP Units. At the time of grant of LTIP Units, one or more certificates representing the appropriate number of LTIP Units granted to a grantee shall be registered in his or her name, but shall be held by the Company for the account of the grantee. Upon the occurrence of certain specified events, and subject to conditions specified in the Plan Agreement, the grantee shall have all rights of a unit holder as to such LTIP Units, including the right to (i) receive distributions and allocations, (ii) redeem the LTIP Units for cash in an amount equal to the FMV of an equal number of OP Units or shares of Common Stock or (iii) convert such LTIP Units into OP Units or shares of Common Stock; provided, however, that (A) the grantee shall not be entitled to delivery of certificates representing the LTIP Units until the expiration of the Restricted Period; and (B) except as otherwise provided in the Plan Agreement, none of the LTIP Units may be assigned, transferred, otherwise encumbered or disposed of by the grantee during the Restricted Period. Any OP Units, shares of Common Stock or other securities or property received with respect to such LTIP Units shall be subject to the same restrictions as such LTIP Units. Once the LTIP Units have vested (or, if longer, following the completion of the Restricted Period) and all conditions contained in the Plan Agreement or award of LTIP Units and in the Plan have been satisfied, the appropriate number of OP Units shall be delivered to the grantee, free of restrictions, in the form of OP Unit certificates (or, if and to the extent that such units are converted into shares of Common Stock, the Company shall issue to the grantee (or the grantee's designated beneficiary in the event of the grantee's death) one or more certificates for the appropriate number of shares of Common Stock).

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 (i) no such amendment shall impair any rights under any award theretofore made under the Plan without the consent of the grantee of such award, (ii) except as and to the extent otherwise permitted by Section 4.5 or 4.11, no such amendment shall cause the Plan to fail to satisfy any applicable requirement under Rule 16b-3 without stockholder approval, and (iii) to the extent required to meet the requirements of any national securities exchange or system on which the shares of Common Stock are then listed or reported, stockholder approval shall be necessary for any amendment that constitutes a material revision to the Plan.

(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; and provided, further, that no amendment may be made to adjust the option exercise price per share specified in a Plan Agreement evidencing a stock option award, unless such adjustment occurs pursuant to Section 4.5, and no award may be cancelled and re-granted to effect a re-pricing.

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 and/or OP Units 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 and/or OP Units 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 and/or OP Units 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 and/or OP Units from the shares or units 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 and/or OP Units 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 and/or OP Units 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 and/or OP Units resulting from the subdivision or combination of shares of Common Stock and/or OP Units or other capital adjustments, or the payment of a stock dividend or unit distribution after the effective date of the Plan, or other change in such shares of Common Stock and/or OP Units effected without receipt of consideration by the Company; provided that any awards covering fractional shares of Common Stock and/or OP Units 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 or of a unit holder of the Operating Partnership with respect to units, as applicable, subject to an award until the issuance to him or her of a stock certificate for such shares or a certificate evidencing such units, as applicable. 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 or unit certificate, as applicable, 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 or of a unit holder of the Operating Partnership, as applicable, 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 2.5(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 or her 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 stockholders of the Company.

(b) The Plan shall terminate 10 years after the date on which it is approved by stockholders, 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. RESTRICTED STOCK/RESTRICTED STOCK UNIT AWARDS GRANTED TO INDEPENDENT DIRECTORS

5.1. Automatic Grant of Restricted Stock/Restricted Stock Units. Each Independent Director appointed or elected to the Board for the first time shall automatically be granted (under this Plan or another applicable Company stock option plan) 1,000 shares of restricted stock or 1,000 restricted stock units, as determined by such Independent Director, on his or her date of appointment or election. Each Independent Director who is serving as a Director of the Company on the fifth business day after each annual meeting of stockholders shall, on such day, automatically be granted (under this Plan or another applicable Company stock option plan) either a number of shares of restricted stock or a number of restricted stock units, as determined by such Independent Director, having a fair market value of $20,000 on the date of grant; provided, however, that an Independent Director who is also serving as the lead non-employee director of the Board of Directors as of the fifth business day after such annual meeting shall, on such day, automatically be granted (under this Plan or another applicable Company stock option plan), in lieu of receiving such number of shares or restricted stock units having a fair market value of $20,000 on the date of grant, either a number of shares of restricted stock or a number of restricted stock units, as determined by such Independent Director, having a fair market value of $30,000 on the date of grant; and provided, further that an Independent Director who is appointed or elected to the Board for the first time shall not be eligible to receive restricted stock or restricted stock units, as applicable, pursuant to this sentence for the year of his or her initial appointment or election.

5.2. Discretionary Grant of Restricted Stock/Restricted Stock Units. The Committee (composed entirely of Independent Directors), in its discretion, may grant additional awards of restricted stock or restricted stock units to the Independent Directors; provided, however, that the total cumulative amount of such awards to Independent Directors under this Plan may not exceed 10% of the shares of Common Stock authorized for grant under this Plan. Any such grant may vary among individual Independent Directors.

5.3. Vesting; Non-Transferability; Issuance of Shares or Restricted Stock Units

(a) All shares of restricted stock or restricted stock units granted under this Article 5 shall vest immediately.

(b) No shares of restricted stock or restricted stock units granted under this Article 5 shall be transferable by an Independent Director while such Independent Director remains a Director of the Company. The shares of restricted stock or restricted stock units granted under this Article 5 shall be transferable, subject to any restrictions imposed by applicable law, by an Independent Director immediately on the date upon which such Independent Director ceases to be a Director of the Company. Restricted stock units granted under this Article 5 shall be settled solely in shares of Common Stock within 30 days of the date upon which such Independent Director ceases to be a Director of the Company. Restricted stock units granted under this Article 5 shall not be settled in cash.

(c) Where shares of restricted stock are awarded under this Article 5, as soon as practicable after the date of grant, the Company shall register, in the name of each applicable Independent Director, one or more certificates representing the number of shares of restricted stock granted to such Director and bearing the appropriate legend specifying that such shares are not transferable and are subject to the terms and conditions of the Plan.

5.4. Limited to Independent Directors. The provisions of this Article 5 shall apply only to restricted stock or restricted stock unit awards 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 restricted stock or restricted stock unit award granted 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 restricted stock or restricted stock unit awards 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.

Exhibit 10.2

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GALAXY LI ASSOCIATES LLC

AS SELLER

AND

RECKSON EAB LLC

AS BUYER

CONTRACT OF SALE

PREMISES: EAB PLAZA

UNIONDALE, NEW YORK

JULY 8, 2005

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SCHEDULES

CONTRACT OF SALE

CONTRACT OF SALE, made as of July 8, 2005, between GALAXY LI ASSOCIATES, LLC, a Delaware limited liability company, having its principal business address at c/o The Moinian Group, 399 Park Avenue, 22nd Floor, New York, New York 10022 (hereinafter referred to as "SELLER"), and RECKSON EAB LLC, a Delaware limited liability company, having its principal business address at c/o Reckson Associates Realty Corp., 225 Broadhollow Road, Melville, New York 11747 (hereinafter referred to as "BUYER").

1. DEFINED TERMS. The terms set forth on Schedule 1 constitute defined terms in this Agreement, and, when used in this Agreement, they shall have the respective meanings set forth on Schedule 1.

2. PURCHASE AND SALE OF ASSETS.

2.1 On the Closing Date and upon the terms and subject to the conditions of this Agreement, Seller shall sell, transfer, convey, assign and deliver to Buyer, and Buyer shall purchase and acquire from Seller, free and clear of all Encumbrances other than the Permitted Encumbrances, all of Seller's right, title and interest (including all rights, benefits, duties and obligations) under, in and to the following (collectively, the "ACQUISITION ASSETS"):

(a) subject to the provisions of Section 2.2 and 12.6, that certain Lease Agreement between the County of Nassau ("NASSAU COUNTY"), as landlord, and Coliseum Plaza Associates (predecessor-in-interest to Seller), as tenant, executed by Coliseum Plaza Associates on March 26, 1981 and executed by Nassau County on April 28, 1981 (together with all amendments thereto, as such Lease Agreement and amendments are more particularly described on Schedule 2.1(a)(1) attached hereto and made a part hereof, the "GROUND LEASE"), with respect to the land described on Schedule 2.1(a)(2) attached hereto and made a part hereof (the "LAND"), together with all easements, covenants, agreements, rights, interests, privileges, tenements, and appurtenances appertaining thereto;

(b) the buildings, structures, facilities, amenities and other improvements now or hereafter constructed or situated on, over or under the Land (the "BUILDINGS"), commonly known collectively with the Land as EAB Plaza, Uniondale, New York (all interests of Seller in the Land and other property pursuant to the Ground Lease, and the Buildings, are collectively referred to as the "PREMISES");

(c) the Personal Property;

(d) all inventories of supplies located in the Buildings as of the date that Buyer acquires the Acquisition Assets (the "INVENTORY") (except to the extent that Buyer, or its designee, fails to hold (upon the consummation of the Closing) all requisite licenses, if any, to acquire said Inventory, in which case Seller shall cooperate with Buyer to give Buyer the benefit of any such licenses);

(e) all books, records, files and papers (whether in hard copy or computer format, and including all existing surveys, blueprints, drawings, plans and specifications, whether structural, HVAC, mechanical, plumbing or otherwise, warranties and guaranties, and all tenant lists and data, correspondence with tenants, vendors, utilities and other third parties) relating to the Premises, Inventory, Leases, Subleases, Licenses (all as hereinafter defined) and Personal Property to the extent in Seller's or its agents' or employees' possession or control (collectively, the "FILES"), but excluding any investment, financial projections, valuation and other similar proprietary or confidential materials maintained by Seller;

(f) all of Seller's right to the telephone and telecopier numbers and electronic mail addresses used by Seller with respect to the Premises and to any telephone listings in the local telephone directories;

(g) copies of personnel and employment records that relate to the employees at the Premises that will be employed by Buyer on and after the Closing Date to extent in Seller's or its agents' or employees' possession or control;

(h) the service, maintenance, supply and other agreements relating to the operation of the Premises, together with all modifications and amendments thereof and supplements relating thereto (collectively, the "CONTRACTS") which are Assumed Contracts;

(i) the name "EAB Plaza," and all other trade names, trademarks and intangible property owned or used by Seller in connection with the Premises;

(j) all Governmental Authorizations owned, held or utilized by Seller or with respect to the operation of the Premises (but not including liquor licenses), and all pending applications related to the Premises or its operations, in each case to the extent transferable to Buyer (the "PERMITS");

(k) Seller's rights as landlord pursuant to the Leases and Subleases; and

(l) all of Seller's rights under any existing mutual or reciprocal operating covenants, easements, conditions and restrictions, guarantees and warranties, to the extent assignable.

2.2 Notwithstanding anything to the contrary set forth in Section 2.1 or elsewhere in this Agreement, Buyer and Seller acknowledge that it is the intent of the parties that Seller retain 100% of Seller's beneficial interest in and to the portion of the Land described on Schedule 2.2 attached hereto and made a part hereof (the "DEVELOPMENT PARCEL") and no part of Seller's beneficial interest in and to the Development Parcel is intended to or shall be conveyed to or acquired by Buyer hereunder (other than pursuant to the Pledge Agreement (as defined in Section 21.24(d))), and that Seller shall convey legal title to its interest in the portion of the Ground Lease covering the Development Parcel only if and to the extent that Seller and Buyer are unable to consummate a Bifurcation as provided in Section 12.6(a).

2.3 Notwithstanding anything to the contrary set forth in Section 2.1 or elsewhere in this Agreement, Seller is not selling or otherwise transferring to Buyer any of, and Buyer shall acquire no interest in or to, the following:

(a) all books, records, files and papers (whether in hard copy or computer format) that are not used in, or that do not relate to or affect, the Premises;

(b) any Governmental Authorization that relates to or affects the Premises but is not assignable or transferable;

(c) all personnel and employment records that relate to former or current employees of the Premises, except to the extent that Legal Requirements require such records, or copies of such records, to remain at the Premises and except as stated in Section 2.1(g) above;

(d) except as otherwise expressly set forth herein, any insurance policies to which Seller is a party;

(e) Seller's right to any of its trade names, trademarks or service marks not specifically provided for in Section 2.1; and

(f) any other property of Seller not related to the ownership or operation of the Premises.

2.4 Effective as of the Closing Date, Buyer shall assume, or take subject to (a) all obligations and Liabilities arising from the Permitted Encumbrances and operation of the Premises generally from and after the Closing Date, and (b) all obligations and Liabilities of Seller arising under the Assumed Contracts from and after the Closing Date.

3. PURCHASE PRICE. The purchase price for the Premises (the "PURCHASE PRICE") is TWO HUNDRED FORTY MILLION TWO HUNDRED THOUSAND and 00/100 DOLLARS ($240,200,000.00), to be paid in full at the Closing by immediately available federal funds wired to an account or accounts designated by Seller not less than one (1) Business Day prior to the Closing, subject to such adjustments as are required by this Agreement.

4. STATE OF TITLE. Buyer shall accept leasehold title to the Ground Lease and fee simple title to the Buildings, and title to the balance of the Acquisition Assets, free and clear of all liens and Encumbrances, but subject to the following (collectively, the "PERMITTED ENCUMBRANCES"):

4.1 all building, zoning and other restrictions, regulations, requirements, laws, ordinances, resolutions and orders of any state, municipal, federal or other governmental authority, including all boards, bureaus, commissions, departments and bodies thereof, now or hereafter having or acquiring jurisdiction over the Premises or the use or improvement thereof;

4.2 covenants, easements and restrictions and other matters set forth in Schedule 4.2 attached hereto and made a part hereof and all other covenants, easements and restrictions and other matters, provided the same do not prevent or materially interfere with the present use or occupancy of, or the present means of access to, the Buildings;

4.3 any state of facts shown on the survey attached hereto as Schedule 4.3 and made a part hereof and any state of facts that would be shown on any update of such survey, provided the same do not prevent or materially interfere with the present use or occupancy of, or the present means of access to, the Buildings;

4.4 any state of facts an inspection of the Acquisition Assets would reveal;

4.5 rights, if any, relating to construction, maintenance and operation of public utility lines, wires, poles, cables, pipes, distribution boxes and other equipment and installations on, over and under the Premises;

4.6 encroachments and projections of areas, cornices, trim, fences, hedges, retaining walls, awnings, canopies, ledges, or other improvements or installations from the Premises onto any street or highway or onto adjoining property, provided the Title Company shall insure, without additional premium, that all such improvements or installations may remain so long as same shall stand, and encroachments of similar elements projecting from adjoining property over the Premises, provided same do not prevent or materially interfere with the present use or occupancy of, or the present means of access to, the Buildings;

4.7 the leases affecting the Premises between Seller and the tenants thereunder, as identified in Schedule 4.7 annexed hereto and made a part hereof, as the same may be amended or modified in accordance with the terms hereof, and any lease entered into, amended or modified between the date of this Agreement and Closing, provided the same is entered into, amended or modified in accordance with the applicable provisions of this Agreement (collectively, the "LEASES");

4.8 the subleases affecting the Premises between Seller, or its predecessor(s), as sublandlord, and the subtenants thereunder, as identified in Schedule 4.8 attached hereto and made a part hereof, as same may be amended or modified in accordance with the terms hereof, and any sublease entered into, amended or modified between the date of this Agreement and Closing, provided the same is entered into, amended or modified in accordance with the applicable provisions of this Agreement (collectively, the "SUBLEASES");

4.9 the license agreements affecting the Premises between the Seller and the licensees thereunder (the "LICENSES"), as set forth in Schedule 4.9 attached hereto and made a part hereof, and any license agreement entered into, amended or modified between the date of this Agreement and Closing, provided the same is entered into, amended or modified in accordance with the applicable provisions of this Agreement;

4.10 the Ground Lease and Master Lease;

4.11 real estate Taxes or payments in lieu of Taxes, water charges and sewer rents, if any, subject to adjustment as hereinafter provided;

4.12 subject to the provisions of Section 21.6, litigation affecting the Premises as set forth in Schedule 21.6 attached hereto and made a part hereof, and any litigation commenced by third parties after the date of this Agreement, provided that such litigation either is covered by insurance or does not have a material adverse effect on the transaction contemplated by this Agreement or title to the Premises;

4.13 all notes or notices of, or violations of laws, rules, regulations, statutes, ordinances, orders or requirements, now or hereafter against or affecting the Premises;

4.14 the Assumed Contracts;

4.15 the standard printed exclusions from coverage contained in the ALTA form of owners title policy currently in use in New York;

4.16 minor imperfections of title, if any, none of which individually or in the aggregate with all others is substantial in amount, materially detracts from the value or impairs the use of the Premises or is of a nature that a recognized title company would not either insure over or provide affirmative coverage against such imperfection without additional or special premium;

4.17 any other matter which the Title Company may raise as an exception to title, provided that (a) the Title Company will insure against collection or enforcement of same out of the Premises without additional premium and (b) no prohibition of present use or maintenance of the Premises will result therefrom; and

4.18 any Encumbrance to which Buyer waives or is deemed to waive objection under the terms of this Agreement.

5. OBJECTIONS TO TITLE; TITLE INSURANCE POLICY.

5.1 Buyer agrees promptly to apply for and procure a title insurance commitment from Liberty Title Agency LLC (together with any other title company designated by Buyer, collectively, "LIBERTY") for an aggregate amount of 65% of said insurance and Royal Abstract of New York LLC ("ROYAL"), for 35% of said insurance (collectively, the "TITLE COMPANY"), and to cause title to the Premises to be searched and examined by the Title Company. Within fifteen (15) Business Days after the Effective Date, as hereinafter defined (the "TITLE OBJECTION NOTIFICATION DATE"), Buyer shall deliver, or cause to be delivered, to Seller's attorneys, Fried, Frank, Harris, Shriver & Jacobson LLP, One New York Plaza, New York, New York 10004, Attention: Robert J. Sorin, Esq., copies of the Title Company's title commitment, all Tax and departmental searches, survey and survey reading, along with a letter from Buyer or Buyer's attorney setting forth any objections to title. All updates, supplements and continuations of the title commitment and subsequent searches (collectively, the "TITLE UPDATES") shall thereafter be promptly furnished to Seller's attorneys. Notwithstanding anything to the contrary contained herein, (a) in the event that Royal is willing to provide insurance and/or affirmative insurance, or make any other underwriting decision with respect to, the title insurance policy insuring Buyer and/or its lender, and Liberty is not willing to provide such insurance, affirmative insurance and/or make the same underwriting decision, then Buyer shall either accept the insurance, affirmative insurance and/or underwriting decision of Royal, and have the title written entirely with Royal (in which case only Royal shall be the Title Company for all purposes of this Agreement), or waive any objections or matters otherwise raised by Liberty and not by Royal, and accept such title insurance policy as Liberty is willing to provide, and (b) in the event that Liberty is willing to provide insurance and/or affirmative insurance, or make any other underwriting decision with respect to, the title insurance policy insuring Buyer and/or its lender, and Royal is not willing to provide such insurance, affirmative insurance and/or make the same underwriting decision, then Buyer shall either accept the insurance, affirmative insurance and/or underwriting decision of Liberty, and have the title written entirely with Liberty (in which case only Liberty shall be the Title Company for all purposes of this Agreement), or waive any objections or matters otherwise raised by Royal, and not by Liberty, and accept such title insurance policy as Royal is willing to provide.

5.2 Buyer shall accept fee title to the Buildings and leasehold title to the Ground Lease as the Title Company will insure, in accordance with its standard form of title policy, subject only to the Permitted Encumbrances and such other exceptions as the Title Company, without additional premium, will omit as exceptions to coverage.

5.3 Notwithstanding anything in this Agreement to the contrary, subject to the provisions of Section 5.6 and Section 5.9, Seller shall not have any obligation to incur any expense, or to take or bring any action or Proceeding to remove any objection to title that does not constitute a Permitted Encumbrance, nor shall Buyer have any right of action against the Seller, at law or in equity, for Seller's inability to convey title to the Premises subject only to the Permitted Encumbrances.

5.4 If Buyer does not notify Seller of any Title Objections by the Title Objection Notification Date or, with respect to any new Title Objection based on a Title Update, within the earlier of seven (7) Business Days of Buyer's receipt of the Title Update or the Closing Date, Buyer shall be deemed to have waived such objection and shall be obligated to purchase the Acquisition Assets and fulfill its other obligations under this Agreement (subject to all of the other conditions to such obligations contained in this Agreement), subject to such objections and without abatement of the Purchase Price, credit or allowance of any kind or any claim or right of action against Seller for Damages or otherwise in respect of such waived title objection. Any lien, encumbrance or exception to title which is not a Permitted Encumbrance to which Buyer timely objects by notice to Seller is referred to herein as a "TITLE OBJECTION".

5.5 If Seller is unable to convey title in accordance with this Agreement by the Scheduled Closing Date, then Seller shall be entitled to one (1) or more adjournments of the Scheduled Closing Date for a period not to extend beyond December 1, 2005 (the "OUTSIDE CLOSING DATE"), time being of the essence, in the aggregate (including any other extension by Seller under this Agreement), and the Scheduled Closing Date shall be adjourned to a Business Day specified by Seller not less than three (3) Business Days after the date of Seller's notice, not beyond the Outside Closing Date, time being of the essence. However, if Buyer exercises its right to extend the Scheduled Closing Date pursuant to Section 11.2, the Outside Closing Date shall be extended to December 24, 2005, time being of the essence. If, on the Outside Closing Date, Seller shall still be unable to convey title to the Premises in accordance with this Agreement, then Seller's sole obligation shall be to (i) cause the Escrow Agent to return the Letter of Credit to Buyer, and (ii) refund Buyer's cost of examination of title without insurance and the cost of survey, not to exceed the aggregate of One Thousand Dollars ($1,000.00), whereupon this Agreement shall terminate and neither party shall have any further rights or claims against the other, except for those obligations which expressly survive termination of this Agreement.

5.6 In the event the cost to cure all Title Objections is Three Hundred Fifty Thousand Dollars ($350,000.00) or less in the aggregate, then Seller shall be required to expend sums up to said amount to cure said Title Objections. Seller shall not be required to spend more than Three Hundred Fifty Thousand Dollars ($350,000.00), in the aggregate, to cure Title Objections. In the event the cost to cure Title Objections shall exceed the aforesaid sum, Seller may either (i) expend additional sums required to cure said Title Objections in Seller's sole discretion, in which event, Buyer shall be obligated to purchase the Acquisition Assets and fulfill its obligations under this Agreement (subject to all of the other conditions to such obligations contained in this Agreement), without abatement of the Purchase Price, or (ii) terminate this Agreement, provided that, in the event Seller elects to terminate this Agreement pursuant to clause (ii), Buyer shall have the right to accept title to the Premises subject to such Title Objections without any claim or right of action against Seller by reason thereof and receive a credit in the amount required to cure said Title Objections up to a maximum of Three Hundred Fifty Thousand Dollars ($350,000.00) against the Purchase Price, less the amount of any sums theretofore spent by Seller which eliminated a matter in question as a Title Objection (and Seller shall provide reasonable evidence of such expenditure to Buyer). Such right shall be exercised by Buyer by delivery of written notice thereof to Seller within five (5) Business Days after Seller's election to terminate this Agreement (time being of the essence with respect to the delivery of such notice by Buyer within such five (5) Business Day period), in which case this Agreement shall not be terminated and shall remain in full force and effect upon all of the terms and conditions hereof, and if the Scheduled Closing Date shall have passed, then the Scheduled Closing Date shall be deemed to be the date that is five (5) Business Days after the delivery of such notice by Buyer to Seller (time being of the essence with respect thereto). If Buyer shall fail to deliver such written notice to Seller within such five (5) Business Day period, then Buyer shall be deemed to have irrevocably waived its right to do so and this Agreement shall be deemed terminated as aforesaid.

5.7 Notwithstanding the provisions of Section 5.5 to the contrary, Buyer may, by notifying Seller at any time prior to the earlier of the Scheduled Closing Date and the Outside Closing Date referred to in Section 5.5, elect to accept such title as Seller can convey. In such event, such Encumbrance that Seller was unable to discharge or otherwise remove shall be deemed to be a Permitted Encumbrance and this Agreement shall remain in effect and the parties shall proceed to Closing and Buyer shall remain obligated to purchase the Acquisition Assets for the full Purchase Price without any abatement, credit or allowance of any kind or any claim or right of action against Seller for Damages or otherwise for such Encumbrance.

5.8 At Closing, Buyer shall purchase an owner's policy of title insurance from the Title Company insuring Buyer's leasehold interest in the Ground Lease in an amount not less than the Purchase Price. Buyer and Seller shall cooperate with the Title Company in connection with obtaining title insurance insuring title to the Premises subject only to the Permitted Encumbrances. In furtherance and not in limitation of the foregoing, at or prior to the Closing, Buyer and Seller shall deliver to the Title Company such affidavits, certificates and other instruments as are reasonably requested by such title company and customarily furnished in connection with the issuance of owner's policies of title insurance.

5.9 Notwithstanding anything hereinabove set forth, Seller shall be required to cure any title exceptions voluntarily placed on the Premises by Seller or voluntarily allowed by Seller to be placed on the Premises after the date hereof (without limitation as to the cost of such cure) and to cause any mortgages to be released of record from the Premises.

6. LETTER OF CREDIT.

6.1 Within one (1) Business Day of the execution and delivery of this Agreement by Buyer and Seller, and as an express condition precedent to the effectiveness of this Agreement, Buyer shall deliver to Escrow Agent, as security for the performance of Buyer's obligations under this Agreement, an unconditional, irrevocable letter of credit in the amount of $24,000,000.00 naming Escrow Agent as the sole beneficiary in the form of Schedule 6.1 hereof (the "LETTER OF CREDIT"). The Letter of Credit shall be a so-called "evergreen" letter of credit and provide for an initial expiration date of December 31, 2005 and shall be automatically self-renewing for one additional six-month period thereafter. The Letter of Credit shall expressly provide that the issuing bank may not elect to not renew the Letter of Credit upon the then scheduled expiration date thereof without providing Seller and Escrow Agent at least 30 days prior written notice thereof. If Seller or Escrow Agent are notified that the Letter of Credit will not be renewed by the issuing bank upon the then scheduled expiration date thereof, or the Letter of Credit is not renewed at least 30 days prior to the then scheduled expiration thereof, Escrow Agent may draw upon the Letter of Credit and hold the proceeds thereof as security for the performance of Buyer's obligations under this Agreement. The Letter of Credit shall be held by Escrow Agent in accordance with the provisions of Article 17 of this Agreement. Provided that either (a) the Closing occurs as herein provided and Buyer pays the full Purchase Price to Seller or (b) as otherwise provided in Section 28.1, Seller shall instruct Escrow Agent to return the Letter of Credit to Buyer and Escrow Agent shall return the Letter of Credit to Buyer simultaneously and as a condition concurrent with the Closing and payment of the Purchase Price.

6.2 Notwithstanding anything to the contrary contained in this Agreement, Buyer shall have the right, at any time and from time to time prior to the Closing, to provide to Seller, in lieu of the Letter of Credit, a cash deposit or a substitute letter of credit satisfying all of the terms and conditions of Section 6.1, in an amount equal to the face amount of the Letter of Credit, subject to the same terms and conditions as apply to the Letter of Credit, in which case the Letter of Credit shall be returned to Buyer upon actual receipt by Escrow Agent of such cash deposit or substitute letter of credit.

7. ACCESS.

7.1 Buyer acknowledges having conducted a thorough inspection and evaluation of the Buildings, Personal Property, Inventory, Contracts, Leases, Subleases, Licenses, Ground Lease, books and records and other documents and data relating to the Premises and the Acquisition Assets, and that Buyer has completed and/or waived any further due diligence with respect to this transaction.

7.2 During the pendency of this Agreement, subject to the terms and conditions set forth in this Article 7, Buyer shall have access to the Premises in order to conduct studies, inspections and reviews pertaining to the Acquisition Assets and to market available space to prospective tenants as provided in Section 10.8. During the pendency of this Agreement, Buyer shall not (1) contact or have any discussions with any tenants, subtenants, licensees of, or contractors providing services to the Premises, unless, in each case, Buyer obtains the prior consent of Seller, not to be unreasonably withheld, conditioned or delayed, (2) interfere with the business of Seller, (3) disturb the tenants, subtenants or licensees of the Premises, (4) disrupt the operations of the Premises or (5) damage any of the Acquisition Assets. Seller may, from time to time, establish reasonable rules of conduct for Buyer and its Representatives. Buyer shall schedule and coordinate all inspections with Seller, which may only occur on a Business Day, and shall give Seller at least twenty-four (24) hours prior telephone notice thereof to Daniel Gohari at (212) 808-4000, extension 232 or Kevin Collins at (212) 279-9000, extension 211. Seller shall be entitled to have a Representative present at all times during each entry by Buyer. Buyer shall not be permitted to conduct any boring on the Land without the prior consent of Seller. If Buyer's Representatives alter or damage any of the Acquisition Assets, Buyer shall promptly restore such altered or damaged Acquisition Asset to its state prior to such alteration or damage, or shall pay to Seller, on demand, the cost of repairing and restoring any damage or disturbance that Buyer causes to any of the Acquisition Assets. In addition, Buyer shall have the right, subject to the provisions of Section 12.6, to contact Nassau County, as landlord under the Ground Lease, to discuss Nassau County's consent to the assignment of the Ground Lease by Seller to Buyer as herein contemplated and the severance of the Ground Lease as contemplated under Section 12.6.

7.3 Prior to any entry onto the Premises by any independent contractor employed by Buyer for the purpose of performing any intrusive inspection of the Acquisition Assets, Buyer shall deliver evidence reasonably satisfactory to Seller that such independent contractor has general liability insurance, with coverages in the amounts set forth below, and workers compensation insurance as required by applicable law, insuring such independent contractor and its employees against loss, liability, personal injury, death or property damage arising or occurring upon or in connection with the presence or activities of such independent contractor while on the Premises. Seller reserves the right, where commercially reasonable, to require that such independent contractor name Buyer as an additional insured on its general liability insurance policy or to require that such policy provide coverage for the contract between such independent contractor and Buyer with respect to such independent contractor's activities at the Premises. Unless otherwise approved by Seller, which approval shall not be unreasonably withheld, such general liability insurance policy shall have a combined single limit coverage for property damage of at least $1,000,000 for each occurrence and in the aggregate and for personal injury or death of at least $3,000,000 for each occurrence and in the aggregate.

7.4 Intentionally omitted.

7.5 During the pendency of this Agreement, Buyer may approach the employees of Seller's managing agent (but not any employees of Seller or any of its Affiliates), at the Building management office, for the purpose of offering any such employee, any employment opportunity with Buyer or any of its Affiliates, provided it will not interfere with the normal and customary operations of the Buildings.

7.6 Buyer agrees that Seller shall have the right to obtain injunctive relief to enforce the provisions of this Article 7, and that obtaining such injunctive relief shall not bar Seller's right to seek Damages for Buyer's Breach of the provisions of this Article 7.

7.7 Buyer acknowledges that it has not been induced by, and has not relied upon, any written or oral representations, warranties or statements, whether express or implied, of Seller, or any partner, member, stockholder or Representative (direct or indirect) of Seller, relating to the Acquisition Assets, the Premises, the operations or any forecast of operations of the Premises, except for those expressly set forth in this Agreement. Buyer's obligations under this Agreement shall not be subject to any contingencies, diligence or conditions, except for those expressly set forth in this Agreement. Buyer acknowledges and agrees that, except as expressly set forth in this Agreement, Seller makes no representations or warranties whatsoever, whether express or implied or arising by operation of law, regarding the Acquisition Assets, their condition or state of repair, the financial condition of the Premises or the Premises' operations or ability to be developed. Buyer agrees that the Acquisition Assets will be sold and conveyed to (and accepted by) Buyer at the Closing in the current existing condition of the Acquisition Assets, AS IS, WHERE IS, WITH ALL FAULTS, except as otherwise expressly provided in this Agreement and excepting ordinary wear and tear, ongoing maintenance and capital repairs and replacements.

7.8 The provisions of this Article 7 shall survive the termination of this Agreement.

8. CONFIDENTIALITY. Neither of the parties nor their respective Representatives shall, without the prior Consent of the other party, disclose or use any Confidential Information, in whole or in part, except in connection with the review, evaluation or performance of the transactions described in this Agreement. Unless otherwise required by any applicable Legal Requirement, neither of the parties shall disclose any Confidential Information acquired as a result of this Agreement to any Person, other than its respective counsel and other Representatives, and such other Persons (such as prospective bankers and lessors) with whom it must communicate to consummate the transactions described in this Agreement, all of whom must agree to keep the Confidential Information confidential. If the Closing does not occur, each party will destroy or return to the disclosing party all copies of documents that contain that party's Confidential Information.

9. EXISTING MORTGAGE. At Seller's election, Seller shall have the right to cause the present holder of the leasehold mortgage encumbering the Premises (the "EXISTING MORTGAGE") to assign the Existing Mortgage to Seller's designee and remain as a lien encumbering Seller's or its designee's interest in the Development Parcel (but not any other portion of the Premises), which lien shall be subordinate by instrument of subordination reasonably satisfactory to such designee and Buyer, to the Buyer Loan as provided in Section 12.7. If Seller elects to have the Existing Mortgage assigned to Seller's designee and remain as a lien encumbering Seller's or its designee's interest in the Development Parcel as aforesaid, then Seller shall cause the balance of the Premises to be released from the lien of the Existing Mortgage by instrument in recordable form and otherwise reasonably satisfactory to Buyer and the Title Company, and delivery of such instrument of partial release of mortgage and such other customary affidavits as the Title Company shall reasonably require in connection therewith shall be deemed to satisfy Seller's obligation to satisfy any mortgages as provided in Section 5.9.

10. LEASES AND SUBLEASES.

10.1 At the Closing, Seller will deliver to Buyer an Assignment and Assumption of Master Lease Agreement (Landlord's Interest) in the form annexed hereto as Schedule 10.1 and made a part hereof (the "ASSIGNMENT AND ASSUMPTION OF MASTER LEASE AGREEMENT (LANDLORD'S INTEREST)"), pursuant to which the landlord's interest under that certain Lease, dated July 8, 1983, originally executed by Coliseum Towers Associates, L.P., as landlord, and European American Bancorp, as tenant, (as amended, the "MASTER LEASE"), shall be assigned by Seller to Buyer and the obligations accruing thereunder from and after the Closing Date shall be assumed by the assignee.

10.2 At the Closing, Seller will deliver to Buyer's designee an Assignment and Assumption of Master Lease (Tenant's Interest) in the form annexed hereto as Schedule 10.2, and made a part hereof (the "ASSIGNMENT AND ASSUMPTION OF MASTER LEASE AGREEMENT ("TENANT'S INTEREST)") pursuant to which the tenant's interest under the Master Lease shall be assigned by Seller to Buyer's designee and all of the obligations thereunder shall be assumed by the assignee.

10.3 At the Closing, Seller will deliver to Buyer an Assignment and Assumption of Leases Agreement in the form annexed hereto as Schedule 10.3 and made a part hereof (the "ASSIGNMENT AND ASSUMPTION OF LEASES Agreement"), pursuant to which the Leases shall be assigned to Buyer and the obligations accruing thereunder from and after the Closing Date shall be assumed by Buyer.

10.4 At the Closing, Seller will deliver to Buyer an Assignment and Assumption of Subleases Agreement in the form annexed hereto as Schedule 10.4 and made a part hereof (the "ASSIGNMENT AND ASSUMPTION OF SUBLEASES Agreement"), pursuant to which the Subleases shall be assigned by Seller to Buyer's designee and the obligations accruing thereunder from and after the Closing Date shall be assumed by the assignee.

10.5 Seller will promptly request that all tenants execute an estoppel certificate in the form annexed hereto as Schedule 10.5. Seller will use commercially reasonable efforts to obtain such documents executed by the tenants, but shall not be obligated to expend any funds or assume any liability in connection therewith. Seller shall deliver to Buyer a draft copy of each estoppel certificate that Seller proposes to send to each tenant for Buyer's review, and Buyer shall deliver any comments that it may have to any such draft estoppel certificate within two (2) Business Days after delivery thereof to Buyer, time being of the essence. Seller shall consider Buyer's comments in good faith but shall have no obligation to make any changes requested by Buyer. Seller shall not deliver any estoppel certificate to any tenant for execution prior to the Effective Date. Buyer's obligation to close hereunder is conditioned upon the receipt of executed estoppel certificates (subject to the qualifications in this Section 10.5) from tenants and subtenants leasing or subleasing 806,600 rentable square feet in the aggregate, which in all events shall include (a) Citibank, N.A., (b) Dreyfus Service Corporation and (c) Washington Mutual Inc. (collectively, the "MAJOR LEASES"). The foregoing condition will be deemed to be satisfied with respect to any estoppel certificate even if (i) the estoppel certificate executed by the tenant is different from the form annexed hereto as Schedule 10.5, (ii) is qualified by language such as "to the tenant's knowledge" for anything other than the description of the lease or the amount of Rent or free rent or (iii) the estoppel certificate is otherwise in substantial accordance with the form of estoppel certificate which the tenant is obligated to provide under its lease; provided, in each case that the estoppel certificate shall not state that the tenant has given Seller a notice that Seller is in default under the lease or that the tenant has any rights of set off or deduction of future rent by reason of any Seller default which, in either such case, would have a material adverse effect as defined in Section 15.1 hereof (the "SATISFACTORY ESTOPPEL CONDITIONS"). Notwithstanding the foregoing, the estoppel certificates initially to be sent to Dreyfus Service Corporation, Rivkin Radler and Open Link will be prepared by Buyer based on the form annexed hereto as Schedule 10.5, together with references to those items set forth on Schedule 10.5-1. However, Buyer acknowledges that the receipt of an estoppel certificate from any or all of Dreyfus Services Corporation, Rivkin Radler or Open Link which meets the Satisfactory Estoppel Conditions will be deemed to be a satisfactory estoppel for purposes of this Section 10.5. Buyer will not be permitted to reject an estoppel certificate from Dreyfus Service Corporation which includes a disclosure or other statement thereon relating to any alleged delay in such tenant's ability to occupy its leased premises or any objection by such tenant to Seller's claim for holdover rent with respect to any space formerly occupied by such tenant without specifying an amount or with an amount not to exceed the amount described in Schedule 10.5-1. If Seller is unable to deliver tenant estoppel certificates satisfying the conditions of this Section 10.5 by the Scheduled Closing Date, then Seller shall be entitled to one (1) or more adjournments of the Scheduled Closing Date for a period not to extend beyond the Outside Closing Date, time being of the essence, in the aggregate (including any other extension by Seller in this Agreement), and the Scheduled Closing Date shall be adjourned to a date specified by Seller not less than three (3) Business Days after the date of Seller's notice, not beyond the Outside Closing

Date, time being of the essence.

10.6 If any Building space is vacant on the Closing Date, Buyer shall accept the Premises subject to such vacancy.

10.7 Seller does not warrant that any particular Lease or Sublease will be in force or effect at the Closing or that the tenants will have performed their obligations after the date hereof thereunder. The termination of any Lease or Sublease from and after the date hereof and prior to Closing (which shall only occur due to tenant's default or as otherwise consented to by Buyer) shall not affect the obligations of Buyer under this Agreement in any manner or entitle Buyer to any offset, abatement, credit or allowance of any kind against the Purchase Price or give rise to any other claim on the part of Buyer.

10.8 Seller shall not enter into new Leases or Subleases (including, without limitation, Leases or Subleases to (x) Institute for Allied Medical Professions, (y) Park Place Mortgage a/k/a Robert Amo Mortgage Group or (z) Jadis Concierge Service or Jadis Capital Management) or amend, modify, extend or renew any existing Leases or Subleases without the prior written consent of Buyer (which consent shall not be unreasonably withheld, conditioned or delayed). Buyer shall have the right to request that Seller enter into new Leases or Subleases or amend, modify, extend or renew any existing Leases or Subleases, subject to Seller's prior written consent (which consent shall not be unreasonably withheld, conditioned or delayed), and Buyer shall have access to the Premises as provided in Section 7.2 in order to market available space to prospective tenants. Notwithstanding the foregoing, Seller shall have the right, without Buyer's consent, to enter into new Leases or Subleases or extend or renew any existing Leases or Subleases that are required pursuant to the terms of any existing Lease or Sublease or pursuant to the terms of any new Lease or Sublease entered into in accordance with the provisions hereof or pursuant to the terms of any applicable law, or that are entered into to effectuate or memorialize the exercise of any right or option contained in any existing Lease or Sublease or any new Lease or Sublease entered into in accordance with the provisions hereof. If required, Buyer's and Seller's consent shall be deemed granted if not denied by notice (stating the grounds for denial with reasonable specificity) given to the other party within ten (10) Business Days after request for such consent by the requesting party.

10.9 Notwithstanding anything to the contrary contained in this Agreement, if (a) during the pendency of this Agreement, Buyer requests that Seller enter into any Lease or Sublease as provided in Section 10.8 above with any Person listed on Schedule 10.9 attached hereto and made a part hereof (or any Affiliate of any such Person) or (b) during the period commencing on the Effective Date and ending on the date that is 120 days (and solely with respect to Citigroup, for such additional period, not to exceed 240 days, as any leasing transaction currently under negotiation is being actively negotiated) following the Effective Date (inclusive), Buyer enters into or causes Seller to enter into any Lease or Sublease with any Person listed on Schedule 10.9 attached hereto and made a part hereof (or any Affiliate of any such Person), then in each such case Buyer shall be solely responsible to pay to Cushman & Wakefield Inc. ("C&W") a commission calculated as provided in the existing Leasing and Management Agreement with C&W. The provisions of this Section 10.9 shall survive the Closing or termination of this Agreement.

10.10 Seller and Buyer acknowledge that, concurrently with the mutual execution and delivery of this Agreement, Seller is terminating (except as otherwise specifically contemplated hereby) C&W's right to receive any leasing commissions pursuant to the existing Leasing and Management Agreement with C&W, and shall deliver to Buyer a letter from C&W confirming same.

11. CLOSING DATE.

11.1 The closing (the "CLOSING") of the transactions contemplated hereunder shall occur on October 7, 2005 (such date, or the date Seller or Buyer sets for the Closing if Seller or Buyer shall elect to extend this date pursuant to the terms of this Agreement is hereinafter referred to as the "SCHEDULED CLOSING DATE"; the actual date of the Closing is hereinafter referred to as the "CLOSING DATE"), at the offices of Seller's attorneys, Fried, Frank, Harris, Shriver & Jacobson LLP, One New York Plaza, New York, New York 10004. TIME SHALL BE OF THE ESSENCE with respect to Buyer's obligation to effectuate the Closing on the Scheduled Closing Date.

11.2 Buyer shall have the one-time right to deliver a written notice to Seller (an "EXTENSION NOTICE") not less than three (3) Business Days prior to the Scheduled Closing Date, setting forth Buyer's election to postpone the Scheduled Closing Date to November 9, 2005, in which case the Purchase Price shall be increased by Five Hundred Thousand Dollars ($500,000).

11.3 Buyer shall have the right to deliver a written notice to Seller (an "ACCELERATION NOTICE") not later than September 1, 2005 setting forth Buyer's election to accelerate the Scheduled Closing Date to September 9, 2005, in which case the Purchase Price shall be decreased by Five Hundred Thousand Dollars ($500,000.00). In the event that Seller is (a) unable to deliver the Ground Lease Estoppel (as described in Section 12.2) after making good faith efforts to obtain same in a timely manner, (b) unable to deliver the estoppel certificates referred to in Section 10.5, after making good faith efforts to obtain same in a timely manner, or (c) unable to convey title in accordance with Section 5.5, then the Closing Date will not be accelerated, the Acceleration Notice will be deemed not to have been delivered, the Purchase Price will not be reduced and the Closing shall occur pursuant to Section 11.1 and Section 11.2 and Seller shall have the right to adjourn the Closing pursuant to the provisions of this Agreement.

11.4 For the purpose of complying with any information reporting requirements or other rules and regulations of the IRS that are or may become applicable as a result of or in connection with the transactions described in this Agreement, Seller and Buyer hereby designate and appoint the Title Company to act as the Reporting Person.

12. GROUND LEASE PROVISIONS; BUYER LOAN.

12.1 Buyer and Seller, each at their own cost and expense, shall cooperate with one another and Nassau County in connection with obtaining an assignment and assumption of the Ground Lease (as described in Section 12.2), the Ground Lease Estoppel, and the Bifurcation (as described in Section 12.6(a)), by, among other things, providing all information reasonably required by Nassau County (including, without limitation, information concerning Seller and concerning Buyer, its respective principals and lenders) reasonably necessary to effectuate the transaction contemplated hereby, and signing and providing all documents required in connection therewith, provided same does not negatively impact Buyer's rights or increase Buyer's obligations hereunder or under the Ground Lease. Seller and Buyer each agree to keep the other apprised of the status of progress with Nassau County in obtaining consent to such assignment and assumption of the Ground Lease, the Ground Lease Estoppel and the Bifurcation. Seller and Buyer each acknowledge and agree that obtaining the Bifurcation is not a condition to the Closing.

12.2 The obligations of Buyer under this Agreement are conditioned on the delivery by Seller of an estoppel certificate from Nassau County (in substantially the form required to be provided under the Ground Lease) and of either:

(a) an Assignment and Assumption of Ground Lease With Consent substantially in the form annexed hereto and made a part hereof as Schedule 12.2(a) (the "ASSIGNMENT AND ASSUMPTION OF GROUND LEASE WITH CONSENT"); or

(b) an Assignment and Assumption of Ground Lease Without Consent substantially in the form annexed hereto and made a part hereof as Schedule 12.2(b)(1) (the "ASSIGNMENT AND ASSUMPTION OF GROUND LEASE WITHOUT CONSENT"), together with a Guaranty of Ground Lease substantially in the form annexed hereto and made a part hereof as Schedule 12.2(b)(2) (the "GUARANTY OF GROUND LEASE").

12.3 Seller and Buyer shall promptly and diligently pursue the Assignment and Assumption of Ground Lease With Consent and the Bifurcation in good faith; however, Seller and Buyer each acknowledge and agree that obtaining the Assignment and Assumption of Ground Lease With Consent is not a condition to the Closing. As a condition to the delivery of the Assignment and Assumption of Ground Lease With Consent, Seller may require documentation from Nassau County reasonably acceptable to Seller providing that Seller is thereupon released from any liability under the Ground Lease from and after the Closing Date.

12.4 In the event Seller delivers the Assignment and Assumption of Ground Lease Without Consent, Buyer, or its Affiliate acceptable to Seller, shall be required to contemporaneously deliver to Seller an indemnification in the form annexed hereto and made a part hereof as Schedule 12.4 (the "INDEMNIFICATION AS TO GUARANTY OF GROUND LEASE"), indemnifying Seller from any obligations with respect to said Guaranty of Ground Lease. Even assuming, arguendo, that Seller elects to pursue the Assignment and Assumption of Ground Lease With Consent, provided that Seller delivers the Assignment and Assumption of Ground Lease Without Consent in accordance with the terms hereof, Buyer shall have no right to refuse to close or delay the Closing by reason of the fact that Nassau County has not issued its consent to the assignment and assumption of the Ground Lease.

12.5 In the event the closing takes place without the consent of Nassau County to the assignment of the Ground Lease, the parties agree to pursue such consent in good faith after the Closing, and upon receipt of such consent the parties will take all reasonable steps to require Nassau County to terminate the Guaranty of Ground Lease, and upon such termination, Seller shall also terminate the Indemnification as to Guaranty of Ground Lease. The provisions of this Section 12.5 shall survive the Closing.

12.6 (a) Subject to the provisions of Section 12.6(b), Seller and Buyer each expressly acknowledge that Seller's interest in the Development Parcel is not intended to be sold to Buyer hereunder or otherwise constitute any portion of the Acquisition Assets. Accordingly, Seller and Buyer shall each exercise commercially reasonable efforts, and otherwise reasonably cooperate with each other, to cause Nassau County and any other applicable Governmental Body to Consent to the "bifurcation" of the Ground Lease into two separate leases, one covering the Development Parcel, on the one hand, and one covering the balance of the Land on the other hand, allocating the "Base Rent" and all additional rent payable thereunder 22% to the Development Parcel and 78% to the balance of the Land and otherwise on terms and conditions substantially the same as the Ground Lease and otherwise reasonably satisfactory to both Buyer and Seller (collectively, the "BIFURCATION"). If Nassau County or any other applicable Governmental Body shall not Consent to the Bifurcation as provided in this Section 12.6(a) and Buyer shall not purchase the Development Parcel in accordance with Section 12.6(b), then Buyer, as sublessor, and Seller or Seller's designee, as sublessee, shall execute and deliver at the Closing a sublease covering the Development Parcel in the form attached hereto as Schedule 12.6(a) (the "DEVELOPMENT PARCEL SUBLEASE").

(b) Buyer shall have the right, exercisable at any time during the period commencing on the Effective Date and ending on the earlier to occur of (i) the date that is ninety (90) days from the date hereof or (ii) five (5) days prior to the Scheduled Closing Date (the "DEVELOPMENT PARCEL ELECTION DATE") (time being of the essence), by delivery of written notice to Seller (the "DEVELOPMENT PARCEL PURCHASE NOTICE"), to elect to purchase the Development Parcel from Seller for a price equal to Sixteen Million and No/100 Dollars ($16,000,000.00) ("DEVELOPMENT PARCEL PRICE"). If Buyer shall timely deliver the Development Parcel Purchase Notice and elect to purchase the Development Parcel, then (i) the Purchase Price shall be increased by the Development Parcel Price, (ii) the Development Parcel shall be deemed part of the Acquisition Assets and all applicable terms and provisions of this Agreement shall be deemed to apply to and include the Development Parcel, including, without limitation, the representation and warranties set forth in this Agreement and the obligation to purchase and sell the Development Parcel on the Scheduled Closing Date, (iii) Buyer shall reimburse Seller at Closing for a brokerage commission of one percent (1%) of the Development Parcel Price and (iv) the provisions of Section 12.6(a) shall be of no further force or effect and neither party shall have any further obligation thereunder. If Buyer shall fail to timely deliver the Development Parcel Purchase Notice by the Development Parcel Election Date, then Buyer shall be deemed to have irrevocably waived its right to purchase the Development Parcel.

(c) If Buyer purchases the Development Parcel as provided in Section 12.6(b), then, in lieu of delivering the Pledge Agreement, Seller shall deliver to Escrowee (as defined below) at the Closing of the purchase and sale of the Development Parcel either (a) cash or (b) a so-called "evergreen", unconditional, irrevocable letter of credit, naming Escrowee as the sole beneficiary and providing for an initial expiration date that is the six (6)-month anniversary of the date hereof, such cash or letter of credit being an amount equal to the lesser of (x) if the Survival Period (as defined in Section 21.24(d)) has theretofore expired, the amount claimed to be owed by Seller to Buyer for any obligations pursuant to a notice of claim and institution of a proceeding made within the fixed periods set forth in Section 21.24(d), and (y) Four Million Dollars ($4,000,000.00). Such cash or letter of credit shall be held by Schulte Roth & Zabel LLP, counsel to Buyer, acting as escrow agent pursuant to a written escrow agreement, in form and substance and containing terms and conditions reasonably satisfactory to Buyer, Seller and such escrow agent (in such capacity and acting pursuant to such terms and conditions, "ESCROWEE") as security for the same obligations, and on the same terms and conditions, as are set forth in this Agreement with regard to the Pledge Agreement, except that terms and provisions satisfactory to Buyer and Seller, in their reasonable discretion, shall be substituted for the provisions hereof that are no longer applicable by reason of such change in the nature of such collateral. Among other things, if such substitute collateral is a letter of credit, such provisions shall include the above requirements and also shall include the requirement that the letter of credit expressly provide that (a) it shall be automatically self-renewing for successive six (6) month periods after its initial expiration date, (b) the issuing bank may not elect to not renew the letter of credit without providing Buyer at least thirty (30) days prior written notice thereof and if Buyer is notified that the letter of credit will not be renewed upon the then scheduled expiration date thereof, or if the letter of credit is not renewed at least thirty (30) days prior to the then scheduled expiration date thereof, Buyer may draw upon the letter of credit and hold the proceeds thereof as security for the obligations secured thereby. In the event that Buyer has given no notice of claim pursuant to Section 21.24(d) on the date of expiration of the Survival Period (with time being of the essence), such Letter of Credit shall be automatically returned to Seller.

12.7 (a) At the Closing, Buyer or an Affiliate or other designee or nominee of Buyer (collectively, the "LENDER") shall make a loan to Seller as the sublessee under the Development Parcel Sublease in the amount of Ten Million and 00/100 Dollars ($10,000,000.00) (the "BUYER LOAN"), which Buyer Loan shall be evidenced by a promissory note substantially in the form of Schedule 12.7A attached hereto and made a part hereof (the "BUYER LOAN NOTE") and secured by a leasehold mortgage substantially in the form of Schedule 12.7B attached hereto and made a part hereof (the "BUYER LOAN MORTGAGE"). Lender shall be responsible to pay all costs and expenses incurred by Lender in connection with the Buyer Loan, including, without limitation, title insurance premiums, diligence costs and all other costs and expenses associated with the Buyer Loan, except that Seller shall be responsible to pay all mortgage recording taxes. Notwithstanding the foregoing, in the event that Buyer purchases the Development Parcel pursuant to Section 12.6(b), there will be no Buyer Loan.

(b) At the Closing, Reckson Construction & Development LLC, an Affiliate of Buyer (the "DEVELOPER"), and Seller shall enter into a Development Agreement substantially in form of Schedule 12.7C attached hereto and made a part hereof, whereby Seller agrees to pay to Developer the sum of $2,000,000 in twenty-four (24) equal monthly installments commencing on the Closing Date. Notwithstanding the foregoing, in the event that Buyer purchases the Development Parcel pursuant to Section 12.6(b), there will be no Development Agreement.

13. CLOSING DOCUMENTS.

13.1 Seller shall deliver to Buyer (duly executed where appropriate) at the Closing:

(a) a Bill of Sale, assigning and conveying all of Seller's right, title and interest in and to the tangible Personal Property, in the form attached hereto and made a part hereof as Schedule 13.1(a);

(b) (i) the Assignment and Assumption of Ground Lease With Consent or (ii) the Assignment and Assumption of Ground Lease Without Consent and the Guaranty of Ground Lease;

(c) (i) the Assignment and Assumption of Master Lease Agreement (Landlord's Interest) and (ii) the Assignment and Assumption of Master Lease Agreement (Tenant's Interest);

(d) the Assignment and Assumption of Leases Agreement;

(e) the Assignment and Assumption of Subleases Agreement;

(f) the Assignment and Assumption of Assumed Contracts substantially in the form attached hereto and made a part hereof as Schedule 13.1(f) (the "ASSIGNMENT AND ASSUMPTION OF CONTRACTS");

(g) if the title examination discloses judgments, bankruptcies or other returns against other Persons having names the same as or similar to Seller, Seller shall deliver an affidavit showing that such judgments, bankruptcies and other returns are not against Seller;

(h) An affidavit of Seller that Seller is not a "foreign person" within the meaning of the Internal Revenue Code of 1986, as amended. Based thereon, no portion of the Purchase Price shall be withheld by Buyer pursuant to the Internal Revenue Code;

(i) an original letter, executed by Seller, or its agent, advising the tenants under the Leases of the sale of the Premises to Buyer, and directing that all Rents and other payments under the Leases thereafter be sent to Buyer, or as Buyer may direct, substantially in the form attached hereto as Schedule 13.1(i) and notify such tenants as to the transfer of their security deposits;

(j) an original letter, executed by Seller, or its agent, advising the subtenants under the Subleases of the sale of the Premises to Buyer, and directing that all Rents and other payments under the Subleases thereafter be sent as Buyer may direct, substantially in the form attached hereto as Schedule 13.1(j) and notify such tenants as to the transfer of their security deposits;

(k) estoppel certificate from Nassau County (in substantially the form required to be provided under the Ground Lease);

(l) certified copy of the authorization of Seller's sole member approving the transactions described in this Agreement and other evidence reasonably requested by the Title Company of Seller's authorization of the transactions contemplated by this Agreement;

(m) all estoppel certificates received by Seller under Section 10.5;

(n) any other resolutions, affidavits, certificates or other documents required by this Agreement, or reasonably requested by the Title Company to be delivered by Seller;

(o) Seller shall deliver to Buyer the security deposits held by Seller under the Leases and Subleases (together with accrued interest thereon, if any, less Seller's proportionate share of administrative fees, if any) by, at Seller's option, (i) payment of the amount thereof to Buyer, (ii) a credit to Buyer against the Purchase Price and/or (iii) assignment to Buyer of the bank accounts (or other security) in which same are held, which assignment shall be in form reasonably acceptable to the depositary bank and Buyer. Any such tenants' security deposits in form other than cash shall be transferred to Buyer by way of appropriate instruments of transfer or assignment (to the extent assignable without the consent of the issuer) (each such instrument, an "ASSIGNMENT AND ASSUMPTION OF SECURITY DEPOSITS"). Any fees imposed by such issuing banks in connection with such assignments shall be paid by Buyer. In the case of any letters of credit which by their terms are not assignable, Buyer shall be responsible for obtaining replacement letters of credit after closing, but Seller shall cooperate (at Buyer's expense) with Buyer in all reasonable respects in connection therewith. As to any such non-assignable letters of credit which are not replaced, then for the period from and after Closing, Seller shall hold such nonassignable letters of credit in escrow for the benefit of Buyer and, upon written request by Buyer, at Buyer's expense, shall draw down on any such letter of credit and simultaneously therewith, shall deliver the proceeds of such draw down to Buyer. Buyer shall, and does hereby agree to indemnify, defend and hold the Seller, its partners, officers, directors, employees, agents, attorneys and their respective successors and assigns, harmless from and against any and all actual claims, demands, suits, obligations, payments, damages, losses, penalties, liabilities, costs and expenses (including but not limited to reasonable attorneys' fees) arising out of Seller's or Seller's agents' actions taken in response to Buyer's request that Seller draw upon a letter of credit after the Closing, and this sentence shall survive the Closing;

(p) a Bargain and Sale Deed Without Covenants Against Grantor's Acts as to the Building in the form attached hereto as Schedule 13.1(p) (the "DEED"), together with any real estate tax forms or affidavits as are required by law;

(q) the Closing Statement;

(r) a general assignment and assumption, to the extent permissible by law and to the extent transferable, of all right, title and interest of Seller in and to all general intangibles, including all warranties, permits and utility deposits to the extent that Seller received a credit therefor under Section 14.1 substantially in the form attached hereto and made a part hereof as Schedule 13.1(r) (the "GENERAL ASSIGNMENT AND ASSUMPTION");

(s) a schedule of all unpaid rents and other sums and charges under the Leases and Subleases as of the Closing Date;

(t) evidence of the delivery of a notice electing to terminate each service contract relating to the Premises to which Seller is a party that Buyer timely elects to direct Seller to terminate as provided in Section 21.19 as of or prior to the Closing Date or such later date as is required to meet the notice requirements contained in such service contract;

(u) the Buyer Loan Note and the Buyer Loan Mortgage, if applicable;

(v) the Development Parcel Sublease and a Memorandum of the Development Parcel Sublease, in form for recording, if applicable;

(w) all of the original Ground Lease, Leases, Licenses, Assumed Contracts, Permits and Files to the extent in Seller's possession or control;

(x) keys and/or combinations to all locks and safe deposit boxes located in the Premises, properly tagged or identified, to the extent in Seller's possession or control;

(y) the Pledge Agreement, if applicable;

(z) the Development Agreement, if applicable; and

(aa) any other documents required by this Agreement, or reasonably required by the Title Company to be delivered by Seller.

Seller shall be deemed to have delivered the items set forth in clauses (w) and (x) above if the same are left in the Building management office on the Closing Date.

13.2 Buyer shall deliver to Seller (duly executed where appropriate) at the Closing:

(a) payment of the Purchase Price payable at the Closing, as adjusted for adjustments and costs under Article 14;

(b) the full proceeds of the Buyer Loan;

(c) (i) Assignment and Assumption of the Ground Lease With Consent or (ii) Assignment and Assumption of Ground Lease Without Consent and Indemnification as to Guaranty of Ground Lease, as the case may be;

(d) (i) the Assignment and Assumption of Master Lease Agreement (Landlord's Interest) and (ii) the Assignment and Assumption of Master Lease Agreement (Tenant's Interest);

(e) Assignment and Assumption of Leases Agreement;

(f) Assignment and Assumption of Subleases Agreement;

(g) Assignment and Assumption of Contracts;

(h) certified copy of the authorization or resolution of Buyer's governing body approving the transactions described in this Agreement and other evidence reasonably requested by the Title Company of Buyer's authorization of the transactions contemplated by this Agreement;

(i) the Closing Statement;

(j) Assignment and Assumption of Security Deposits;

(k) General Assignment and Assumption;

(l) the Development Parcel Sublease and memorandum thereof, if applicable; and

(m) any other documents required by this Agreement, or reasonably required by the Title Company to be delivered by Buyer.

14. ADJUSTMENTS AND OTHER COSTS.

14.1 A statement of prorations and other adjustments (the "CLOSING STATEMENT") shall be prepared by Seller in conformity with the provisions of this Agreement and delivered to Buyer two (2) Business Days prior to the Closing. In addition to prorations and other adjustments that may otherwise be provided for in this Agreement, the following are to be adjusted or prorated, as the case may require, between Seller and Buyer as of 11:59 P.M. (EST) on the day immediately preceding the Closing Date, based upon a 365-day year, and the net amount thereof shall be added to (if such net amount is in favor of Seller) or deducted from (if such net amount is in Buyer's favor) the balance of the Purchase Price payable at Closing:

(a) Real estate Taxes, payments in lieu of Taxes, water charges and sewer rents, if any, on the basis of the fiscal period for which assessed and gas, steam, electricity and other public utility charges. If on the Closing Date the Tax rate shall not have been fixed, the apportionment shall be based upon the Tax rate for the preceding year applied to the latest assessed valuation; however, adjustment will be made when the actual Tax amount is determined. If there are utility meters on the Premises (covering water, gas, steam, electricity and sewage), Seller shall furnish readings thereof to a date not more than fifteen (15) days prior to the Closing Date. Meter charges shall be apportioned on the basis of the last reading. Upon the taking of a subsequent actual reading, such apportionment shall be readjusted.

(b) Rental payments on the Ground Lease.

(c) Buyer shall reimburse Seller for the cost, including Taxes, of any fuel oil at the Premises on the Closing Date.

(d) All charges and payments under all Assumed Contracts.

(e) Water, electric, telephone and all other utility and fuel charges, fuel on hand (at cost plus sales tax), and any assignable deposits with utility companies (to the extent possible) (utility prorations will be handled by meter readings as of the Closing and Seller shall arrange and pay for final billings through the Closing Date).

(f) The cost of capital improvements to the extent provided in Section 21.14.

(g) Any other items or amounts to be prorated or apportioned between Seller and Buyer under this Article 14.

14.2 (a) Rents paid or payable by tenants under the Leases and Subleases consisting of base or fixed rents (collectively, "FIXED RENTS") shall be adjusted and prorated on an if, as and when collected basis. Any Fixed Rents collected by Buyer or Seller after the Closing from any tenant who owes Fixed Rents for periods prior to the Closing, shall be applied (i) first, in payment of Fixed Rents owed by such tenant for the month in which the Closing Date occurs, (ii) second, in payment of Fixed Rents owed by such tenant for the period (if any) after the month in which the Closing Date occurs through the end of the month in which such amount is collected and (iii) third, after Fixed Rents for all current periods have been paid in full, in payment of Fixed Rents owed by such tenant for the period prior to the month in which the Closing Date occurs. Each such amount, less any costs of collection (including reasonable attorneys' fees) reasonably allocable thereto, shall be adjusted and prorated as provided above, and the party who receives such amount shall promptly pay over to the other party the portion thereof to which it is so entitled. Buyer shall bill tenants who owe Fixed Rents for periods prior to the Closing on a monthly basis following the Closing Date for a period of one year and shall use commercially reasonable efforts to collect such past due Fixed Rents during such one-year period; provided, that Buyer shall have no obligation to commence any actions or proceedings to collect any such past due Fixed Rents. Notwithstanding the foregoing, if Buyer shall be unable to collect such past due Fixed Rents, Seller shall have the right to pursue tenants to collect such delinquencies (including, without limitation, the prosecution of one or more lawsuits), but Seller shall not be entitled to evict (by summary proceedings or otherwise) any such tenants. No prorations shall be made at the Closing in respect of unpaid Fixed Rents.

(b) If any tenants are required to pay percentage rents, escalation charges for increases in real estate taxes or operating expenses, porter's wage increases, labor cost increases, cost-of-living increases, charges for electricity, water, cleaning or overtime services, "sundry charges" or other charges of a similar nature ("ADDITIONAL RENTS"), the same shall be adjusted on an if, as and when collected basis. Subject to further provisions of this paragraph (b), if any Additional Rents are collected by Buyer after the Closing Date which are attributable in whole or in part to any period prior to the Closing, then Buyer shall promptly pay to Seller its proportionate share thereof, less a proportionate share of any reasonable attorneys' fees and costs and expenses of collection thereof. With respect to any estimated Additional Rents paid or payable by tenants for any period prior to the Closing which, pursuant to the applicable Lease or Sublease, are to be recalculated after the Closing based upon actual expenses and other relevant factors, (i) Seller agrees, with respect to such adjustments which are in favor of any such tenant, to pay to Buyer after which Buyer shall pay directly to the tenant in question, within ten (10) days after written demand and presentation to Seller of reasonable documentation in support of such adjustments, and (ii) Buyer agrees, with respect to such adjustments which are in favor of landlord, to pay to Seller the amount of such adjustments which the tenant pays to Buyer, within ten (10) days after receipt thereof by Buyer. Buyer shall bill tenants who owe Additional Rents for periods prior to the Closing on a monthly basis following the Closing Date for a period of one year and shall use commercially reasonable efforts to collect such past due Additional Rents during such one-year period; provided, that Buyer shall have no obligation to commence any actions or proceedings to collect any such past due Additional Rents. Notwithstanding the foregoing, if Buyer shall be unable to collect such past due Additional Rents, Seller shall have the right to pursue tenants to collect such delinquencies (including, without limitation, the prosecution of one or more lawsuits), but Seller shall not be entitled to evict (by summary proceedings or otherwise) any such tenants. Any Additional Rents collected by Buyer or Seller after the Closing from tenants who owe Additional Rents for periods prior to the Closing shall be applied to Additional Rents then due and payable in the following order of priority, (i) first, in payment of Additional Rents for the accounting period in which the Closing Date occurs, with such amounts being prorated between Buyer and Seller based upon the number of days each owned the Premises during the accounting period in which the Closing occurs, (ii) second, in payment of Additional Rents for any accounting period which commenced after the Closing, but only to the extent payments of Additional Rents for such accounting period are then currently due, and (iii) third, in payment of Additional Rents for accounting periods preceding the accounting period in which the Closing occurs.

(c) Notwithstanding anything to the contrary contained in this Agreement, Seller shall keep Buyer reasonably informed (including providing copies of material pleadings, correspondence and other documentation) with respect to any litigation commenced or pursued by Seller after the date hereof against any tenants at the Property. Seller shall be entitled to retain all proceeds of any reward or settlement on account of any claim by Seller against any tenant that arose prior to the Closing Date; provided, however, that, in the event that Seller is awarded any damages in connection with any eviction action which results in the termination of any lease prior to the Closing Date, where the term of such lease would otherwise have extended beyond the Closing Date, Buyer shall be entitled to receive from the amount paid by the applicable tenant for such award of damages an amount equal to all portions of such damages allocable to rent payable with respect to the period after the Closing Date.

14.3 (a) Buyer agrees that, effective as of the Closing Date, all employees at the Premises set forth on Schedule 14.3 (and any replacements thereof) who are union employees ("EMPLOYEES") shall be offered the same employment by Buyer (or by the property manager or other third party to be engaged by Buyer) on substantially the same terms and conditions as such Employees were employed immediately prior to the Closing. Seller represents that it has no employees. With respect to the Employees, Buyer shall comply with all of the requirements of applicable law and be solely responsible for, and hereby assumes all liabilities whatsoever with respect to, any and all (i) salaries (for the period from and after the Closing Date), (ii) benefits attributable to the period from and after the Closing Date payable to the Employees, (iii) benefit continuation and/or severance payments relating to any Employee that may be payable as a result of any termination of employment of any such Employee or the terms of such employment of any Employee or the location of employment of any Employee from and after the Closing Date, and (iv) notices, payments, fines or assessments due to any governmental authority pursuant to any laws, rules or regulations with respect to the employment, discharge or layoff of Employees from and after the Closing Date, including, but not limited to, such liability as arises under the Worker Adjustment and Retraining Notification Act, Section 4980B of the Code (COBRA) and any rules or regulations as have been issued in connection with any of the foregoing. Buyer hereby agrees to indemnify Seller and its affiliates against, and agrees to hold them harmless from any and all claims, losses, damages and expenses (including, without limitation, reasonable attorneys' fees) and other liabilities and obligations incurred or suffered as a result of any claim by any Employee that arises under federal, state or local statute (including, without limitation, Title VII of the Civil Rights Act of 1964, the Civil Rights Act of 1991, the Age Discrimination Act of 1990, the Equal Pay Act, the Americans with Disabilities Act of 1990, ERISA and all other statutes regulating the terms and conditions of employment), regulation or ordinance, under the common law or in equity (including any claims for wrongful discharge or otherwise), or under any policy, agreement, understanding or promise, written or oral, formal or informal, between Seller and the Employee, arising out of actions, events or omissions that occurred (or, in the case of omissions, failed to occur) from and after the Closing Date. Buyer represents and covenants that it shall be covered by and assume and the Employees shall be covered by any and all collective bargaining agreements currently covering the Employees. Seller hereby agrees to indemnify Buyer and its affiliates against, and agrees to hold them harmless from any and all claims, losses, damages and expenses (including, without limitation, reasonable attorneys' fees) and other liabilities and obligations incurred or suffered as a result of any claim by any Employee that arises under any of the foregoing federal, state or local statutes, regulations or ordinances, under the common law or in equity (including any claims for wrongful discharge or otherwise), or under any policy, agreement, understanding or promise, written or oral, formal or informal, between Seller and the Employee, arising out of actions, events or omissions that occurred (or, in the case of omissions, failed to occur) prior to the Closing Date.

(b) Effective as of the Closing, Buyer shall assume, observe, pay and perform all obligations and liabilities under, arising from or otherwise relating to all collective bargaining agreements, if any, relating to the Employees (or any of them) and/or Seller's operation of the Property (hereafter, collectively, the "CBA"). Buyer shall have sole responsibility for all such obligations and liabilities arising under or relating to the CBA, on or at any time after the Closing Date and hereby agrees to indemnify and hold Seller harmless from and against all loss, cost and expense incurred by Seller as a result of Buyer's failure to so assume, observe, pay and perform the same. Seller hereby agrees to indemnify and hold Buyer harmless from and against all loss, cost and expense incurred by Buyer as a result of Seller's failure to observe, pay and perform any of Seller's obligations and liabilities under or relating to the CBA required to have been observed, paid or performed by Seller prior to the Closing Date.

14.4 The amount of any unpaid real estate Taxes, assessments, payments in lieu of Taxes, water charges, sewer rents, and gas, steam, electricity and other utility charges which Seller is obligated hereunder to discharge or satisfy, with any interest or penalties thereon, at the option of Seller, may be allowed as a credit to Buyer at the Closing, provided official bills therefor are furnished at the Closing. If on the Closing Date there are any liens or Encumbrances which Seller is obligated hereunder to discharge or satisfy, Seller may use any portion of the Purchase Price to discharge or satisfy the same, or may deposit with the Title Company an amount sufficient to discharge or satisfy the same, provided that, upon such deposit, the Title Company "omits" same from Buyer's title report and policy. Buyer agrees to provide at the Closing upon not less than three (3) Business Days' prior written notice, separate certified checks to facilitate the discharge or satisfaction of items referred to in this Section 14.4. The existence of liens, Encumbrances, real estate Taxes, assessments, water charges or sewer rents shall not be an objection to title, provided Seller shall comply with the provisions of this Section 14.4.

14.5 Buyer shall pay all expenses for examination of title, the premium for any title insurance policy issued to Buyer, and all other title, survey or other expenses incurred by Buyer in connection with this Agreement or the closing of title hereunder.

14.6 Seller shall pay or shall credit Buyer at the Closing with an amount equal to any applicable New York State and local, if any, transfer Tax payable by reason of the assignment of the Ground Lease and the sale of the Buildings by Seller to the Buyer named herein, if applicable. Seller and Buyer agree to execute, swear to, and cause to be filed any applicable transfer Tax returns or other returns required in connection with the Closing.

14.7 Seller and Buyer each shall pay their own attorneys' fees in connection with this Agreement and the closing of title.

14.8 Buyer, in the manner set forth in this Section 14.8, shall pay and be solely responsible for the payment of (or, to extent paid by Seller, shall reimburse Seller at the Closing for), all Leasing Costs paid or payable by the landlord in connection with (i) any Lease or Sublease entered into after the date hereof or after the Closing Date in accordance with the provisions hereof (each such Lease or Sublease, a "NEW LEASE") or any modification or amendment of any New Lease, (ii) any modification or amendment of any existing Lease or Sublease executed after the date hereof or after the Closing Date, (iii) any renewal options, extension options or expansion options which are exercised or become effective after the date hereof or after the Closing Date pursuant to the terms of each respective existing Lease or Sublease and New Lease and (iv) any space leased pursuant to rights of first refusal or first offer or similar rights which are exercised after the date hereof or after the Closing Date. For purposes of this Agreement, "LEASING COSTS" shall mean leasing and brokerage commissions, any direct payments, work allowances and workletters paid or granted to or for the benefit of the tenant under a lease and any free rent, rent allowances or rent credits paid or granted to such tenant (and, in the case of any such inducement not paid in cash, the dollar value thereof), advertising expenses and legal fees and disbursements. If, as of the Closing Date, Seller shall have paid or incurred any portion of such Leasing Costs for which Buyer is responsible, then Buyer shall reimburse Seller for such paid or incurred portions at Closing.

14.9 Seller shall bear the cost of any rent allowance, rent credit or free rent (collectively, "FREE RENT") to which any tenant or subtenant is entitled set forth on Schedule 14.9 attached hereto and made a part hereof. Pursuant to Schedule 14.9, Buyer shall be entitled to a credit against the Purchase Price in the amount of $1,020,001 which amount will be (i) decreased by an amount of such Free Rent allocable to the period from October 1, 2005 until the Closing Date (if the Closing Date occurs after October 1, 2005) based on the Free Rent described on Schedule 14.9, and (ii) increased by an amount of such Free Rent allocable to the period from the Closing Date (if the Closing Date occurs prior to October 1, 2005) to October 1, 2005 based on the Free Rent described on Schedule 14.9. If any of the above items are not determinable at the Closing, the adjustment shall be made subsequent to the Closing when the charge is determined. Any errors or omissions in computing adjustments at the Closing shall be promptly corrected, provided that the party seeking to correct such error or omission shall have notified the other party of such error or omission on or prior to the date that is 90 days following the Closing Date.

The provisions of this Article 14 shall survive the Closing.

15. CONDITIONS PRECEDENT TO BUYER'S OBLIGATION TO CLOSE. Buyer's obligation to consummate the transactions described in this Agreement, and to take the actions required to be taken by Buyer at the Closing, is subject to the satisfaction, at or prior to such Closing, of each of the following conditions (any of which may be waived by Buyer, in whole or in part):

15.1 Each representation and warranty made by Seller in this Agreement shall be true and correct in all material respects as of the Closing Date, except to the extent the facts and circumstances underlying such representations and warranties may have changed as of the Closing. Notwithstanding the foregoing, if on the Closing Date any such representations and warranties are not true and correct in all material respects, Buyer shall in any event be required to close hereunder and pay the Purchase Price to Seller unless the breach(es) of any representations and warranties will have, in the aggregate, a "material adverse effect" provided that in such event, Seller shall be entitled, at its option and in its sole discretion, to pay to Buyer such amount on account of such breach(es) as will cause the same to no longer have a "MATERIAL ADVERSE EFFECT", in which event Buyer shall be required to close hereunder. As used herein, a "material adverse effect" shall be deemed to have occurred if by reason of such misrepresentation the fair market value of the Property is decreased by more than Three Hundred Seventy-Five Thousand and No/100 Dollars ($375,000.00). For purposes hereof, a representation or warranty shall not be deemed to have been breached if the representation or warranty is not true and correct in all material respects as of the Closing Date by reason of changed facts or circumstances which pursuant to the terms of this Agreement are permitted to have occurred.

15.2 Seller has performed or complied in all material respects with all of the covenants and obligations required of Seller by this Agreement to be performed or complied with on or before the Closing Date.

16. CONDITIONS PRECEDENT TO SELLER'S OBLIGATIONS TO CLOSE. Seller's obligation to consummate the transactions described in this Agreement, and to take the actions required to be taken by Seller at the Closing, is subject to the satisfaction, at or prior to such Closing, of each of the following conditions (any of which may be waived by Seller, in whole or in part):

16.1 Each representation and warranty of Buyer in this Agreement must be accurate in all material respects as of the Closing Date as if made on the Closing Date.

16.2 Buyer has performed or complied with all of the covenants and obligations required of Buyer by this Agreement to be performed or complied with on or before the Closing Date.

17. ESCROW CONDITIONS.

17.1 Concurrently with the execution of this Agreement, Buyer has delivered the Letter of Credit to Holm & Drath, LLP ("ESCROW AGENT").

17.2 Escrow Agent shall hold the Letter of Credit in accordance with this Agreement, or a joint instruction signed by Seller and Buyer, or separate instructions of like tenor signed by Seller and Buyer, or a final judgment of a court of competent jurisdiction. Escrow Agent hereby is authorized and directed to return the Letter of Credit to Buyer if, as and when the Closing occurs. If Escrow Agent shall receive an instruction from Seller or Buyer as to the Letter of Credit, Escrow Agent shall first advise the other party, and, thereafter, shall act in accordance with such instruction if the other party shall fail to notify Escrow Agent not to act in accordance with such instruction within ten (10) days after delivery of such instruction by Escrow Agent to said other party. Escrow Agent at any time may deposit the Letter of Credit with a court of competent jurisdiction, and, upon notice to Seller and Buyer of such deposit, Escrow Agent shall have no further responsibility or liability hereunder. Escrow Agent shall act upon any instruction or other writing believed by Escrow Agent in good faith to be genuine and to be signed or presented by the proper Persons.

17.3 If Seller notifies Escrow Agent that the Letter of Credit will not be renewed by the issuing bank upon the then scheduled expiration date thereof, or the Letter of Credit is not renewed at least 30 days prior to the then scheduled expiration thereof, Escrow Agent shall draw upon the Letter of Credit and hold the proceeds thereof as security for the performance of Buyer's obligations under this Agreement in the same manner as the Letter of Credit. All references in this Article 17 to the Letter of Credit shall be deemed to include any proceeds thereof that are held by Escrow Agent.

17.4 Seller and Buyer acknowledge that Escrow Agent is merely a stakeholder, and that Escrow Agent shall not be liable for any act or omission unless taken or suffered in bad faith, in willful disregard of this Agreement or involving gross negligence. Seller and Buyer shall jointly and severally indemnify and hold Escrow Agent harmless from and against any costs and expenses incurred in connection with the proper performance of the Escrow Agent's duties hereunder. Seller and Buyer shall be jointly and severally liable for, and shall pay Escrow Agent, on demand, any costs and expenses of Escrow Agent incurred in connection with the performance of Escrow Agent's duties hereunder, if any, paid or payable in connection with the holding or disposition of the Letter of Credit or investment of the proceeds thereof. Notwithstanding that Escrow Agent is serving as the Escrow Agent pursuant to this Article 17, Escrow Agent as attorneys may represent Seller in the event of any dispute hereunder.

17.5 Escrow Agent shall not be bound by any agreement between Seller and Buyer, whether or not Escrow Agent has knowledge thereof, and Escrow Agent's only duties and responsibilities shall be to hold, and to dispose of, the Letter of Credit in accordance with this Article. Without limiting the generality of the foregoing, Escrow Agent shall have no responsibility to protect, demand payment of, collect, or enforce any obligation with respect to the Letter of Credit or for any diminution of the value, or the failure to earn income, of the Letter of Credit or proceeds thereof for any cause, other than the gross negligence or bad faith of the Escrow Agent. Escrow Agent may consult with counsel, and any opinion of counsel shall be full and complete authorization and protection in respect of any action taken or omitted by Escrow Agent hereunder in good faith and in reliance upon such opinion.

17.6 All instructions or notices given pursuant to this Article 17 shall be in writing and delivered in accordance with the requirements for notices pursuant to Article 20 of this Agreement. For purposes of this Article 17, such instructions and notices shall be deemed delivered on the date of delivery, if by hand, or on the date of mailing in accordance with Article 20 if mailed, except that no instruction or notice to Escrow Agent shall be deemed effectively delivered to Escrow Agent until actual receipt thereof by Escrow Agent. This Article 17 may not be amended without the prior written Consent of Escrow Agent.

17.7 Buyer and Seller hereby jointly and severally agree to indemnify and save Escrow Agent harmless from any and all loss, damage, claims, liabilities, judgments and other cost and expense of every kind and nature which may be incurred by Escrow Agent arising out of its acting as Escrow Agent hereunder (including, without limitation, reasonable attorneys' fees and disbursements) except in the case of its own willful misconduct or gross negligence.

17.8 The parties acknowledge that Escrow Agent is acting and shall continue to act, as counsel to Seller in connection with the transactions described in the recitals and other matters. The parties agree that Escrow Agent or any member, partner or employee of Escrow Agent shall be permitted to act as counsel for Seller in any dispute or question as to the disposition of the Letter of Credit or the proceeds thereof or any other matter arising hereunder.

18. OPTION TO EXCHANGE PROPERTY OF LIKE KIND. Each party agrees that, at no cost, expense or liability to the other, either party may elect to effectuate a Tax deferred "like kind exchange" for its respective benefit, and convey or acquire the Premises (including the Development Parcel if Buyer exercises the option in Section 12.6(b) above), or cause the Premises to be conveyed or acquired in accordance with the provisions of Section 1031 of the Internal Revenue Code as now or hereafter amended, including all rules and regulations promulgated thereunder, or in accordance with any successor law ("SECTION 1031"). Each party agrees to give written notice to the other not less than thirty (30) days prior to the Scheduled Closing Date as to whether or not notifying party intends to make such election. In furtherance of the foregoing sentence, Buyer hereby notifies Seller that Buyer intends to make such election. Each party agrees to execute any and all documents as are necessary in connection therewith, including, but not limited to, any consent to or acknowledgment of an assignment of this Agreement and each party's rights hereunder to a qualified intermediary, and shall otherwise cooperate with the other party and use reasonable efforts to effectuate said exchange, provided that all documents executed by the other party shall disclaim any representation or warranty, shall be without recourse and shall waive any right of action against the signer with regard to the like kind exchange. Each party agrees to indemnify and hold the other harmless from any additional cost, expense or liability, including reasonable attorneys' fees, resulting from the other's participation in such "1031" exchange; however, neither party shall be responsible for the other's attorneys' fees in connection with this Closing or for the "review" of the exchange assignments utilized to effectuate same. Neither party shall be required to assume any additional expense or liability in connection with, or as part of its cooperation with the like kind exchange. The indemnity provision of this Article 18 shall survive the Closing. If either party elects to utilize a tax-deferred exchange, it agrees to do so by utilizing a qualified intermediary in connection with effectuating the exchange, and the other party shall not be required to take title to the exchanged property.

19. BROKERAGE. Each party represents and warrants to the other that they have not dealt with any broker in connection with this sale, other than Cushman & Wakefield, Inc. (the "BROKER"), whose commission Seller agrees to fully pay pursuant to a separate agreement (which shall include any commission owed to the Broker in excess of the one percent (1%) commission referred to in Section 12.6(b)). Each party agrees to indemnify and hold the other harmless from and against any and all liability, claim, loss, damage or expense, including reasonable attorneys' fees, arising from a Breach by said party of this representation and warranty. The provisions of this Article 19 shall survive the Closing.

20. NOTICES. In order for the same to be effective, each and every notice, communication, request or demand permitted or required to be given by the terms and provisions of this Agreement, or by any law or ordinance shall be given in writing, in the manner provided in this Article 20 unless expressly provided otherwise elsewhere in this Agreement.

20.1 In the case of notices given by Seller to Buyer, any such notice shall be deemed to have been served and given by Seller and received by Buyer, on the third (3rd) Business Day following the date on which Seller shall have deposited such notice by registered or certified mail, return receipt requested, in a United States post office branch or depository box, addressed to Buyer at its address as stated on the first page of this Agreement and copies to Jason M. Barnett, Senior Vice President and General Counsel, c/o Reckson Associates Realty Corp., 225 Broadhollow Road, Melville, New York 11747, and to Buyer's attorney, Schulte Roth & Zabel LLP, 919 Third Avenue, New York, New York 10022, Attention: Jeffrey A. Lenobel, Esq.

20.2 In the case of notices given by Buyer to Seller, any such notice shall be deemed to have been served and given by Buyer and received by Seller, on the third (3rd) Business Day following the date on which Buyer shall have deposited such notice by registered or certified mail, return receipt requested, in a United States post office branch or depository box, addressed to Seller at its address as stated on the first page of this Agreement, and a copy to Seller's attorneys, Fried, Frank, Harris, Shriver & Jacobson LLP, One New York Plaza, New York, New York 10004, Attention: Robert J. Sorin, Esq., and Holm & Drath, LLP, 950 Third Avenue, Suite 3101, New York, New York 10022, Attention: Steven I. Holm, Esq.

20.3 Each party hereby authorizes its attorney named above or any successor attorney designated by such party to give any notice on its behalf.

20.4 Notices may also be given by nationally recognized overnight courier or by hand delivery. If notice is not delivered by registered or certified mail, return receipt requested, as set forth in this Article 20, but is delivered in any other manner authorized herein, it shall be deemed served and given on the date of receipt if received before 3:00 P.M. on a Business Day, or on the first Business Day following receipt if it is received at any other time.

20.5 Either party may, by notice as aforesaid, designate one or more different parties and addresses for notices in lieu of those specified above. Such designation shall be valid only when notice of such designation is given in the manner required herein.

21. REPRESENTATIONS, WARRANTIES AND COVENANTS OF SELLER. Seller represents, warrants and covenants to Buyer (which representations, warranties and covenants shall not survive the Closing unless expressly provided otherwise herein) as follows:

21.1 Seller is a limited liability company validly existing and in good standing under the laws of the State of Delaware.

21.2 Seller has the power and authority to execute and deliver this Agreement and the Ancillary Documents and to perform its obligations hereunder and thereunder, and Seller has taken all limited liability company actions necessary to authorize the execution and delivery of this Agreement and the Ancillary Documents by Seller and the performance of Seller's obligations hereunder and thereunder.

21.3 Seller has duly executed and delivered this Agreement. Each of the Ancillary Documents, when executed by Seller, will be duly executed and delivered by it. This Agreement constitutes, and the Ancillary Documents when executed and delivered by Seller will constitute, the legal, valid and binding obligation of Seller, enforceable against Seller in accordance with their respective terms, except as such enforceability may be limited by applicable creditor rights, law and general principles of equity.

21.4 Except for any filing with Nassau County with respect to the Ground Lease, to the extent such filing is required pursuant to the terms thereof, no Consent of or filing with any Governmental Body is required for Seller to execute this Agreement and perform the transactions described in this Agreement by Seller.

21.5 The execution and delivery of this Agreement and the Ancillary Documents by Seller do not violate any provisions of the Organizational Documents of Seller and will not result in a Breach or violation or default under any Order or Governmental Authorization to which Seller is subject or result in a Breach by Seller under any Assumed Contract to which it is bound. Neither the execution and the delivery of this Agreement nor Seller's compliance with the terms of this Agreement will violate any legal requirements applicable to Seller.

21.6 To Seller's Knowledge, except for the litigations and claims set forth on Schedule 21.6 and claims or actions covered by insurance, there are no pending causes, claims, Proceedings or legal actions by or against Seller which would have a material adverse effect on the Acquisition Assets. Without limiting the foregoing, the litigation expressly identified in that certain Contract of Sale for the Premises, dated May 23, 2003, between Seller, as the buyer thereunder, and Coliseum Towers Associated L.P., as the Seller thereunder, as the "Nassau County Land Tax Case" has been finally adjudicated, with no remaining contingent liabilities that could be binding on the Premises or Buyer at or after the Closing in connection therewith.

21.7 The Master Lease is in full force and effect. Seller is the holder of the landlord's interest and the tenant's interest in and to the Master Lease and has not previously assigned any of its interests in the Master Lease, except to the holder of the Existing Mortgage. Since the time that Seller became the holder of the landlord's interest and the tenant's interest in and to the Master Lease, Seller has not had any intent to merge the landlord's interest with the tenant's interest in the Master Lease.

21.8 To the Knowledge of Seller, no written notice has been received by Seller from any Governmental Body claiming any material violation of any Environmental Law with respect to the Acquisition Assets.

21.9 Neither the execution and delivery of this Agreement, nor compliance with the terms and provisions of this Agreement on the part of Seller, conflict with, or result in a Breach of any of the terms of, any agreement or instrument to which Seller is a party, or by which it is or may be bound, or result in the imposition of any lien, charge or Encumbrance of any nature whatsoever, or give the other any interest or rights in the Acquisition Assets.

21.10 The Ground Lease is in full force and effect. Prior to the date hereof, Seller has delivered to Buyer a true, correct and complete copy of the Ground Lease, including all amendments, assignments and other modifications thereto.

21.11 Seller has not received any written notice from Nassau County alleging that Seller is in default of any of Seller's obligations under the Ground Lease, and Seller has not delivered any written notice to Nassau County alleging that Nassau County is in default of any of Nassau County's obligations under the Ground Lease. To the Knowledge of Seller, Seller is not in default of any of its material obligations under the Ground Lease.

21.12 Seller has not assigned, pledged or encumbered its leasehold interest in the Ground Lease, except to the holder of the Existing Mortgage.

21.13 Except for Personal Property removed in Seller's ordinary course of business, no material item of the Personal Property shall be removed from the Buildings prior to Closing unless it is replaced with a similar item of at least equal value.

21.14 From the Effective Date to the Closing Date, Seller shall operate the Buildings in the ordinary course of its day to day operations, consistent with past practice. Notwithstanding the foregoing, Seller shall not be obligated hereunder to perform any capital improvements from and after the Effective Date. If Seller shall perform any capital improvement after the Effective Date required by any applicable Legal Requirements or which is necessary in Seller's good faith judgment, to (a) prevent an immediate threat to the health, safety or welfare of any person in the immediate vicinity of the Premises, (b) prevent immediate damage or loss to the Premises or (c) avoid the suspension of any necessary service in or to the Premises, then, to the extent that Seller provided Buyer with prior written notice before performing any such capital improvements and Buyer consented thereto (which consent will not be unreasonably withheld), Buyer shall reimburse Seller at the Closing for the actual costs incurred by Seller in connection with such capital improvement.

21.15 Seller has not filed for any bankruptcy protection, nor to the Knowledge of Seller are there any pending bankruptcy filings against Seller.

21.16 Seller has not granted any Person a right of first offer, right or first refusal or option to acquire the Premises (and the Development Parcel, if Buyer purchases the Development Parcel pursuant to Section 12.6(b)) or any portion thereof and, to the Knowledge of Seller, no such right exists in favor of any third Person.

21.17 All Leases, Subleases, rents, rent arrearages, charges and (other than as expressly identified below) security deposits affecting the Premises (and the Development Parcel, if Buyer purchases the Development Parcel pursuant to Section 12.6(b)) on the date hereof, are accurately shown on Schedule 21.17; complete copies of all Leases and Subleases and all amendments and guarantees relating thereto have been delivered to Buyer; all of the Leases and Subleases are in full force and effect (except as noted otherwise in Schedule 21.6), and to Seller's Knowledge, neither landlord nor any of the tenants are in material default of any of their obligations under any of the Leases or Subleases (subject to Schedule 21.6); no tenant has paid rent for more than one (1) month in advance, to Seller's Knowledge; no tenant claims or is entitled to "free" rent, rent concessions, rebates or rent abatements except as set forth in the Leases and Subleases; no tenant claims or is entitled to any set-offs against rent except as set forth in the Leases and Subleases; all work required to be performed by the landlord under the Leases or Subleases has been completed; Seller has assigned none of its rights under the Leases or Subleases with the exception, if applicable, of a collateral assignment to the holder of the Existing Mortgage; Seller has not assumed or agreed to perform the obligations of any tenant under any lease or entity related to any tenant under any other lease for space elsewhere. If Buyer validly elects to purchase Seller's interest in the Development Parcel as provided in Section 12.6(b), Seller further represents and warrants to Buyer that there are no Leases or Subleases affecting the Development Parcel or any portion thereof. Notwithstanding the foregoing, Seller represents that (a) to the best of its knowledge the performance bond required to have been provided by Compass, as set forth on Schedule 21.17, was never delivered to Seller and (b) Seller is unable to locate the security deposits relating to the Yellow Book and Ruskin Moscou leases, which security deposits, pursuant to such leases, are required to be in the form of irrevocable, unconditional "evergreen" letters of credit, and the letters of credit which comprise the security for the Yellow Book and Ruskin Moscou leases may name as beneficiary Seller's predecessor(s)-in-interest. Seller shall at or prior to the Closing deliver to Buyer (I) the Compass performance bond and (II) either (y) such original letters of credit, together with instruments of assignments thereof to Buyer issued by their respective issuers on such issuers' standard forms, or (z) replacements of such letters of credit, in form and substance substantially similar to such replaced letters of credit and naming Buyer as beneficiary; provided that in the event that Seller fails to deliver the items delivered in either clause (I) or (II) above, the Closing shall nevertheless occur and the obligations of the parties in respect thereof shall not be affected, but Seller shall (in addition to its obligations pursuant to Section 13.1(o)) pay any and all replacement fees in connection therewith, and shall indemnify, defend and hold Buyer harmless from and against any and all claims, demands, suits, obligations, payments, damages, losses, penalties, liabilities, costs and expenses (including but not limited to reasonable attorneys' fees) arising out of Seller's having drawn on any such performance bond or letters of credit prior to the Closing, to the extent that Buyer has the obligation to return such performance bond or letter of credit to the applicable tenant, and such obligations shall survive the Closing without reference to the Survival Period and shall not be subject to the limitations relating to (a) the "material adverse effect" threshold in Section 15.1, (b) the Threshold Amount described in Section 21.24(d), and (c) proviso (x) in Section 21.24(d).

21.18 The only labor unions affecting the Acquisition Assets are those with which Seller's property manager is in contract are Local 30 of the Operating Engineers Union and Local 25 of the International Brotherhood of Electrical Workers and, to the Knowledge of Seller, there are no other CBA's binding upon Seller or the Premises. Seller is not party to any CBA. Seller has delivered to Buyer true, complete and correct copies of the applicable CBA between Seller's property manager and each such labor unions.

21.19 There are no Contracts affecting the Premises except as shown on Schedule 21.19. Except as otherwise expressly set forth on Schedule 21.19, all Contracts are terminable by Seller without the payment of any termination fee, penalty or other sum on not more than thirty (30) days' notice to the counterparty thereto. Buyer shall have the right, exercisable by written notice to Seller given not less than forty-five (45) days prior to Scheduled Closing Date, to direct Seller to terminate any service contract affecting the Premises as of the Closing Date, and if Buyer shall timely so direct Seller, Seller shall deliver a termination notice to the counterparty under any such service contract, except such service contracts which cannot, by their terms, be so terminated. Any such Contract not so terminated shall be an Assumed Contract. Notwithstanding the foregoing, in the event that the "Capital Improvement Contract" identified on Schedule 21.19 is not terminated as of the Closing, Seller shall be solely responsible for all liabilities and obligations thereunder, whenever due or payable (except to the extent arising from amendments or other modifications thereto consented to by Buyer), which covenant shall survive the Closing without regard to the Survival Period and not subject to the limitations relating to (a) the "material adverse effect" threshold in Section 15.1, (b) the Threshold Amount described in Section 21.24(d), and (c) proviso (x) in Section 21.24(d).

21.20 The insurance coverages disclosed by the certificate of insurance annexed hereto as Schedule 21.20 are in full force and effect. Seller shall maintain all such insurance coverages in full force and effect to the Closing Date.

21.21 Subject to the provisions of Section 14.8, all brokerage commissions incurred by Seller or, to the Knowledge of Seller, Seller's predecessor in title, including referral fees, with respect to the initial execution of any Leases and Subleases and the renewal, amendment or modification of Leases and Subleases, in each case which were executed or have become effective prior to the Effective Date, are set forth on Schedule 21.21 attached hereto, and will be paid in full by Seller on or before the Closing Date. Any amounts for which Seller is responsible under this Section 21.21 shall not be subject to the limitations relating to (a) the "material adverse effect" threshold in Section 15.1, (b) the Threshold Amount described in Section 21.24(d), and (c) proviso (x) in Section 21.24(d).

21.22 Seller shall be responsible to pay the amount of any Leasing Costs (other than rent allowances, rent credit or free rent), but including any unpaid work allowance or the dollar value of any unpaid workletter which is owed to a tenant or subtenant with respect to the initial execution of any Lease or Sublease and the renewal, amendment or modification of Leases and Subleases, in each case which was executed or have become effective prior to the Effective Date, and which will be paid by Seller on or before the Closing Date or credited to the Buyer at the Closing. Any amounts for which Seller is responsible under this Section 21.22 shall not be subject to the limitations relating to (a) the "material adverse effect" threshold in Section 15.1, (b) the Threshold Amount described in Section 21.24(d), and (c) proviso (x) in Section 24.21(d).

21.23 Seller shall not (i) consent to any change in the zoning classification of the Premises or (ii) sell, transfer, assign or dispose of, or consent to the utilization by any third party of, any development rights, including air rights, if any, without Buyer's prior consent (it being understood that Seller shall be permitted to consent to any change in the zoning classification of the Development Parcel or sell, transfer, assign or dispose of, or consent to the utilization by any third party of, any development rights, including air rights, if any, appurtenant to the Development Parcel, in each case without Buyer's consent).

21.24 (a) Except as otherwise expressly stated in this Agreement, Seller makes no representation and warranty as to the Condition of the Acquisition Assets, the operations of the Premises or the market conditions of the area in which the Premises is located and is conveying the Acquisition Assets to Buyer AS IS, WHERE IS AND WITH ALL FAULTS, without representation or warranty of any kind or nature whether express or implied or arising by operation of law. Seller specifically disclaims any warranty of merchantability or fitness for a particular purpose. Except as expressly provided in this Agreement, no adverse change in the Condition of the Acquisition Assets prior to the Closing Date shall give rise to any obligation on the part of Seller or remedy on the part of Buyer; provided, that such adverse change does not prevent the Buildings from being operated as presently operated and for their present use.

(b) Without limiting the generality of the foregoing, except for the representations and warranties of Seller contained in this Agreement, the transactions described in this Agreement are without statutory, express or implied warranty, representation, agreement, statement or expression of any opinion regarding the Condition of the Acquisition Assets, including any and all statutory, express or implied representations or warranties related to their suitability for habitability, merchantability, or fitness for a particular purpose or created by any affirmation of fact or promise, by any description of the Acquisition Assets or by operation of any legal requirements.

(c) For purposes of this Agreement, the term "CONDITION OF THE ACQUISITION ASSETS" shall mean all of the following:

(i) The quality, nature and adequacy of the physical Condition of the Acquisition Assets, including (A) the quality of the design, labor and materials used to construct the improvements included in the Acquisition Assets or in the construction of the Premises; (B) condition of structural elements, foundations, roofs, glass, mechanical, plumbing, electrical, HVAC, sewage and utility components and systems; (C) the capacity or availability of sewer, water, or other utilities; (D) the geology, flora, fauna, soils, subsurface conditions, groundwater, landscaping and irrigation of the Land, and its location in or near any special taxing district, flood hazard zone, wetlands area, protected habitat, geological fault or subsidence zone, hazardous waste disposal or clean-up site, or other special area; (E) the existence, location or condition of ingress, egress, access and parking; (F) the condition of the Personal Property and any fixtures; (G) the presence of any asbestos or other Hazardous Materials, dangerous, or toxic substance, material or waste in, on, under or about the Land and the improvements located thereon; (H) any environmental, botanical, zoological, hydrological, geological, meteorological, structural or other condition or hazard or the absence thereof heretofore, now or hereafter affecting in any manner the Acquisition Assets; (I) the development of any portion of the Land; and (J) any other matter or thing related to the Acquisition Assets.

(ii) The economic feasibility, cash flow and expenses of the Buildings, and habitability, merchantability, fitness, suitability and adequacy of the Buildings for their current use and purpose, and any condition at or which affects the Buildings with respect to a particular use, purpose, development, potential or otherwise.

(iii) The compliance or failure to comply by Seller, the Land or the Buildings with (A) all legal requirements or Governmental Authorizations, including those relating to zoning, building, public works, parking, fire and police access, handicap access, life safety, subdivision and subdivision sales, and (B) all agreements, covenants, conditions, restrictions (public or private), development agreements, site plans, building Permits, building rules and other instruments and documents governing or affecting the use, management and operation of the Land or Buildings.

(iv) Those matters referred to in this Agreement and the documents listed on the Schedules to this Agreement (provided, however, that the inclusion of this Section 21.24(c)(iv) shall not be deemed to modify Seller's representations in this Agreement).

(v) The availability, cost, terms and coverage of liability, hazard, terrorism, comprehensive and any other insurance for the Premises or its operations.

(vi) The condition of title to the Acquisition Assets, including vesting, legal description, matters affecting title, Encumbrances, boundaries, encroachments, mineral rights, options, easements, and access, violations of restrictive covenants, zoning ordinances, setback lines, or development agreements; the availability, cost and coverage of title insurance; leases, rental agreements, occupancy agreements, rights of parties in possession of, using or occupying the Land or Buildings, and standby fees, Taxes, bonds and assessments.

(d) The representations and warranties made by Seller in this Agreement shall survive the Closing for a period of one hundred fifty (150) days following the Closing Date (the "SURVIVAL PERIOD"). Each such representation and warranty shall automatically be null and void and of no further force and effect on the 150th day following the Closing Date unless, with respect to any particular representation and warranty, Buyer shall have delivered a notice to Seller, prior to such 150th day, alleging that Seller is in breach of such representation or warranty and specifying in reasonable detail the nature of such breach, and Buyer shall have commenced an action, suit or proceeding with respect to the breach of such representation or warranty specified in such notice on or before the date which is thirty (30) days after the date of the expiration of the Survival Period. Notwithstanding anything to the contrary in this Agreement, it is expressly understood and agreed by the parties that Buyer shall not be entitled to any claim for indemnification under any provisions contained in this Agreement or any instrument or agreement being entered into concurrently herewith or delivered at the Closing, or for the breach of any representation and warranty of Seller set forth herein, in each case which survives the Closing (this Agreement and such other agreements and instruments, collectively, the "TRANSACTION DOCUMENTS"), (x) if the breach or inaccuracy of representation or warranty in question results from or is based on a condition, state of facts or other matter that was actually known to Buyer prior to the Closing, (y) unless the aggregate amount of actual loss to Buyer in respect of all claims for indemnification arising pursuant to the Transaction Documents exceeds the Threshold Amount, in which event Buyer shall only be entitled to indemnification for amounts, if any, in excess of the Threshold Amount, and (z) unless Buyer has given Seller written notice of such claim (stating the representation or warranty alleged to have been breached or the indemnification provision of the Transaction Documents pursuant to which recovery is sought, an explanation in reasonable detail of the circumstances giving rise to the claim, and Buyer's good faith estimate of the total dollar amount of the harm suffered and likely to be suffered as a result of the alleged breach or claim) within the Survival Period, it being understood and agreed that Seller shall have no further liability under or in respect of such warranties and representations or under the indemnification provisions of the Transaction Documents after the expiration of the Survival Period, except to the extent of any breach or claim of which Buyer gives Seller written notice on or prior to such date. As used herein, "THRESHOLD AMOUNT" means Three Hundred Seventy-Five Thousand Dollars ($375,000). In addition, in no event shall Seller's maximum liability for all claims for breaches of representations and warranties in this Agreement, together with all other claims by Buyer under the Transaction Documents, exceed the sum of Four Million Dollars ($4,000,000), the parties having expressly agreed that Seller's maximum liability for any and all claims under the Transaction Documents is to be capped at that amount. In addition, in no event shall Seller be liable for any consequential, indirect, punitive, special or exemplary damages, or for lost profits, unrealized expectations or other similar claims, and in every case Buyer's recovery for any claims referenced above shall be net of any insurance proceeds and any indemnity, contribution or other similar payment recovered or recoverable by Buyer from any insurance company, tenant, anchor or other third party (it being understood that Buyer shall have no obligation to exhaust its recourse to any such other third party prior to making any claim under this Article 21). As security for its obligations under this Article 21, at the Closing, the members of Seller shall pledge its membership interests in Seller to Buyer pursuant to a Membership Interest Pledge Agreement (the "PLEDGE AGREEMENT") substantially in the form of Schedule 21.24 attached hereto and made a part hereof. The terms and provisions of this paragraph shall survive the Closing.

22. REPRESENTATIONS, WARRANTIES AND COVENANTS OF BUYER. Buyer represents, warrants and covenants to Seller (which representations, warranties and covenants shall not survive the Closing unless expressly provided otherwise herein) as follows:

22.1 Buyer is a limited liability company validly existing and in good standing under the laws of the State of Delaware.

22.2 Buyer has the power and authority to execute and deliver this Agreement and the Ancillary Documents and to perform its obligations hereunder and thereunder, and Buyer has taken all limited liability company actions necessary to authorize the execution and delivery of this Agreement and the Ancillary Documents by Buyer and the performance of Buyer's obligations hereunder and thereunder.

22.3 Buyer has duly executed and delivered this Agreement. Each of the Ancillary Documents, when executed by Buyer, will be duly executed and delivered by it. This Agreement constitutes, and the Ancillary Documents when executed and delivered by Buyer will constitute, the legal, valid and binding obligation of Buyer, enforceable against Buyer in accordance with their respective terms, except as such enforceability may be limited by applicable creditor rights, law and general principles of equity.

22.4 No Consent of or filing with any Governmental Body is required for Buyer to execute this Agreement and perform the transactions described in this Agreement by Buyer.

22.5 The execution and delivery of this Agreement and the Ancillary Documents by Buyer do not violate any provisions of the Organizational Documents of Buyer and will not result in a Breach or violation or default under any Order or Governmental Authorization to which Buyer is subject or result in a Breach by Buyer under any agreement, contract or other instrument to which it is bound. Neither the execution and the delivery of this Agreement nor Buyer's compliance with the terms of this Agreement will (a) violate any legal requirements applicable to Buyer, or (b) require the Consent or the making by Buyer of any declaration, filing or registration with any person.

22.6 In entering into this Agreement, Buyer has not been induced by and has not relied upon any written or oral representations, warranties or statements, whether express or implied, made by Seller or any of its Affiliates or their respective Representatives, with respect to the Acquisition Assets, the Condition of the Acquisition Assets or any other matter affecting or relating to the transactions described in this Agreement, other than those expressly set forth in this Agreement. Buyer's obligations under this Agreement shall not be subject to any contingencies, diligence or conditions except as expressly set forth in this Agreement. Buyer acknowledges that Buyer has knowledge and expertise in financial and business matters that enable Buyer to evaluate the merits and risks of the transactions described in this Agreement.

All of the Buyer's representations, warranties and covenants set forth in this Agreement shall be deemed made by Buyer to Seller as of the date of this Agreement and as of the Closing Date and shall survive the Closing for a period of one hundred twenty (120) days.

Buyer and anyone claiming by, through or under Buyer, hereby fully releases the Exculpated Parties from any and all claims that it may now have or hereafter acquire against the Exculpated Parties for any costs, losses, liabilities, damages, expenses, demands, actions or causes of action, whether foreseen or unforeseen, arising out of or related to (i) any construction defects, errors or omissions on or in the Premises, (ii) the past, present, or future presence of Hazardous Materials on or in the Premises (or any parcel in proximity thereto) or in any water on or under the Premises, (iii) compliance or non-compliance with any Environmental Laws, (iv) the off-site presence of Hazardous Materials generated at the Premises, or (v) any other conditions affecting the Premises. In furtherance of the foregoing release, Buyer hereby waives any and all rights and remedies whatsoever, express or implied, Buyer may have against the Exculpated Parties arising out of or resulting from the matters set forth in the foregoing clauses (i) through (v), including, without limitation, the right to rescind this Agreement and seek damages for non-compliance with Environmental Laws, and that in connection with such matters, Buyer shall look solely to Seller's predecessors or to such contractors and consultants as may have contracted for work in connection with the Premises for any redress or relief. Buyer's closing hereunder shall be deemed to constitute an express waiver of Buyer's right to cause Seller (or any other of the Exculpated Parties) to be joined in any action brought under any Environmental Laws. Buyer further understands and agrees that some of Seller's predecessors in interest may have filed petitions under the bankruptcy code and Buyer may have no remedy against such predecessors, contractors or consultants. The waivers and releases set forth in this Section 22 shall survive the Closing or termination of this Agreement. As used herein, "EXCULPATED PARTIES" shall mean Seller and any person acting on behalf of Seller, and any direct or indirect officer, director, partner, shareholder, employee, agent, representative, accountant, advisor, attorney, principal, affiliate, consultant, contractor, successor or assign of any of the foregoing parties.

23. NO ASSIGNMENT.

23.1 This Agreement may not be assigned by Buyer without the prior written consent of Seller, which may be given or denied at Seller's sole discretion, except as otherwise expressly provided in Article 18 in connection with a "like kind exchange" under Section 1031 or as expressly below in this Section 23.1. Any agreement by Buyer to assign or transfer this Agreement, and any assignment, transfer, conveyance, pledge or other encumbrance of any direct or indirect ownership interest in Buyer, shall be deemed to constitute an "assignment" of this Agreement for purposes of this Article 23; provided, that the trading of ownership interests in any Person that is a publicly traded Person on a nationally recognized exchange or quotation system shall not constitute an "assignment" of this Agreement for purposes of this Article 23. Any breach by Buyer of the provisions of this Section 23.1 shall constitute a default by Buyer under the terms of this Agreement, entitling Seller to exercise any and all remedies available to Seller under this Agreement, as well as at law and in equity, including the remedy set forth in Section 28.2. Notwithstanding the forgoing, Buyer shall be permitted to assign this Agreement to any Person (a) in which Reckson Operating Partnership, L.P. owns, directly or indirectly, through one or more intermediary entities, 20% or more of the aggregate ownership interests and (b) which is Controlled by Reckson Operating Partnership, L.P.; provided, and on the express conditions precedent that, (i) Buyer delivers to Seller not less than ten (10) Business Days prior written notice of such proposes assignment and (ii) such assignment is effectuated pursuant to a form of assignment and such other documentation reasonably satisfactory to Seller and satisfying the requirements set forth in the second sentence of Section 23.2 below, and such assignment shall not be deemed effective or binding upon Seller unless and until a duly executed and acknowledged counterpart of such assignment shall have been delivered to Seller not later than five (5) days after such assignment shall be fully executed. For purposes of this Section 23.1, "Control" shall mean the ability, directly or indirectly, to (A) direct the management and policies of a Person and (B) conduct the day-to-day business operations of such Person.

23.2 In the event of any assignment of this Agreement requiring Seller's consent and to which Seller consents (which consent may be granted or withheld in Seller's sole and absolute discretion), such assignment shall not be deemed effective or binding upon Seller unless and until a duly executed and acknowledged counterpart of such assignment shall have been delivered to Seller not later than five (5) days after such assignment shall be fully executed. Such assignment shall provide that the assignee thereunder unconditionally assumes all of the terms and conditions to be performed by Buyer hereunder, and the assignee shall covenant to perform such covenants and obligations in the place and stead of Buyer as though the assignee were the original purchaser named herein.

23.3 Buyer and any assignee of Buyer shall, jointly and severally, indemnify and hold Seller harmless from and against any loss, cost, expense (including attorneys' fees and disbursements), Damage, or claim incurred by Seller as a result of any assignment of this Agreement (including any claim for a brokerage commission in connection with such assignment or otherwise), which obligation shall survive the Closing.

24. TRANSFER AND SALES TAXES. Buyer agrees to (i) pay any sales, use and similar Tax payable with respect to the transfer of any Personal Property and to indemnify and hold harmless Seller from and against any and all liability, loss, cost, damage and expense (including, but not limited to, interest, penalties and attorneys' fees) which Seller may sustain by reason of the non-payment of such Tax and (ii) file any sales, use or other Tax reports which may be required. Buyer shall pay (a) the cost of the Survey, (b) the cost of premiums on the Title Policy, (c) the cost of performing any due diligence, (d) the cost of any recordation fees to put the Deed of record with the appropriate Governmental Body, (e) all costs and expenses of obtaining any financing Buyer may elect to obtain, including, but not limited to, any fees, financing costs, mortgage and recordation Taxes and intangible Taxes in connection therewith, and (f) the cost of its legal counsel, advisors and other professionals employed by Buyer in connection with its purchase of the Acquisition Assets from Seller. Seller shall pay the cost of (a) its legal counsel, advisors and other professionals employed by Seller in connection with the sale of the Acquisition Assets to Buyer, and (b) all transfer Taxes relating to the transfer of the Acquisition Assets to Buyer. Except as otherwise expressly provided for in this Agreement, each party will bear its own expenses incurred in connection with the preparation, execution and performance of its obligations under this Agreement, including all fees and expenses of Representatives. The provisions of this Section 24 shall survive the Closing.

25. REAL ESTATE TAX REFUNDS AND PROCEEDINGS. Seller shall have the sole right to withdraw, compromise or settle any pending application or Proceeding for the reduction of the assessed valuation of the Land or Buildings and reserves all right to, and the proceeds from, any recovery under such pending application or Proceeding where the proceeds from, or recovery under, any such application or Proceeding cover a Tax period ending prior to the Closing Date so long as such compromise or settlement does not bind Buyer for any Tax period during which the Closing occurs or for any Tax period thereafter. Buyer shall have the sole right to withdraw, compromise or settle any pending application or Proceeding for the reduction of the assessed valuation of the Land or Buildings and reserves all right to, and the proceeds from, any recovery under such pending application or Proceeding where the proceeds from, or recovery under, any such application or Proceeding cover a Tax period commencing after the Closing Date. With respect to any application or Proceeding for the reduction of the assessed valuation of the Land or Buildings which covers a Tax period during which the Closing Date occurs, Seller shall have the sole right to withdraw, compromise or settle any such pending application or Proceeding; provided, that (a) Seller shall not withdraw, compromise or settle such application or Proceeding applicable to such Tax period without the consent of Buyer, which consent shall not be unreasonably withheld, conditioned or delayed, and (b) Seller shall be entitled to receive that portion of such net proceeds or recovery attributable to all periods prior to and including the Closing Date and Buyer shall be entitled to receive that portion of such proceeds or recovery attributable to all periods subsequent to the Closing Date, provided that there first shall be deducted from the portion of the proceeds or recovery to be given to Seller or Buyer a portion of all expenses incurred in obtaining such proceeds or recovery, such portion (when expressed as a percentage) to be equal to the portion (also, when expressed as a percentage) of the proceeds or recovery to be paid to Seller and Buyer, respectively. With respect to any such application or Proceeding for the reduction of the assessed valuation of the Land or Buildings, Seller shall deliver or instruct its tax certiorari counsel to deliver to Buyer a copy of each submission or filing made by or on behalf of Seller and of such other material documents and correspondence to or from the applicable taxing authorities in connection therewith (but Seller's failure to deliver any such item to Buyer shall not affect Buyer's liability hereunder). Each party shall execute and deliver any documents that the other party may reasonably require in connection with any applications or Proceedings mentioned in this Section 25 and in connection with any recovery had thereunder, without charge to the requesting party. As to any proceeds received by Seller or Buyer under this Section 25, each party agrees to indemnify and hold harmless the other party from and against claims made by any tenants or subtenants for any portion of such proceeds. The provisions of this Section 25 shall survive the Closing.

26. CHRISTMAS TREE LIGHTING CEREMONY. Buyer acknowledges that Seller, in conjunction with European American Bank (Citibank, N.A.'s predecessor as a subtenant in the Buildings), has sponsored an annual Christmas tree lighting ceremony (the "CEREMONY") at the Buildings. The cost of the 2005 Ceremony shall be borne by Buyer, and at the Closing, Buyer shall reimburse Seller for all costs and expenses incurred by Seller in connection with the 2005 Ceremony. Seller has received no written notice from Citibank, N.A. canceling the 2005 Ceremony.

27. TERMINATION EVENTS. By notice given to the other parties to this Agreement, this Agreement may be terminated:

27.1 by Buyer in accordance with the provisions of Section 29.1;

27.2 by Seller in accordance with Section 5.5;

27.3 by Buyer if any of the conditions set forth in Article 15 have not been satisfied as of the Scheduled Closing Date (subject to Seller's rights to extend the same from time to time) or if satisfaction of such a condition is or becomes impossible (other than through the failure of Buyer to comply with its obligations under this Agreement) and Buyer has not waived such condition; or

27.4 by Seller if any of the conditions set forth in Article 16 have not been satisfied as of the Termination Date or if satisfaction of such a condition is or becomes impossible (other than through the failure of Seller to comply with its obligations under this Agreement) and Seller has not waived such condition.

28. EFFECT OF TERMINATION; BUYER'S RIGHTS TO SEEK SPECIFIC PERFORMANCE.

28.1 If this Agreement terminates pursuant to Section 27.1, 27.2 or 27.3, Escrow Agent shall return the Letter of Credit to Buyer. At such time all further obligations of the parties under this Agreement will terminate and be of no further force and effect except for the provisions which expressly survive such termination, and no party shall have any liability to the other by reason of such termination of this Agreement.

28.2 If Seller terminates this Agreement pursuant to Section 27.4, Escrow Agent shall draw down the full amount of the Letter of Credit and deliver the proceeds thereof to Seller and Seller shall be entitled to retain such proceeds. At such time all further obligations of the parties under this Agreement will terminate and be of no further force and effect except for the provisions which expressly survive such termination, and no party shall have any liability to the other by reason of such termination of this Agreement. Seller shall have the right, as its sole remedy, to draw down the full amount of the Letter of Credit and retain the proceeds thereof as liquidated Damages without the necessity of proving actual Damages. Buyer acknowledges and agrees that Seller's actual Damages resulting from the Buyer's Breach would be difficult to ascertain and that the Deposit represents the parties' good faith estimate of Seller's Damages from a Breach by Buyer.

28.3 Notwithstanding anything in this Article 28 to the contrary, if Buyer is ready, willing and able to tender performance of all of its obligations under this Agreement and Seller has breached any of the covenants or agreements required to be performed by Seller at the Closing under this Agreement, Buyer shall have the right, instead of terminating this Agreement pursuant to Section 28.1, to elect to permit this Agreement to remain in effect and to sue Seller for specific performance, provided that any such action for specific performance must be commenced within thirty (30) days after the Outside Closing Date. If Buyer shall fail to commence any such action within such thirty (30) day period, then Buyer shall be deemed to have irrevocably waived its right to seek specific performance. If specific performance is no longer available to Buyer due to the fact of Seller's knowing and willful breach of this Agreement, then Buyer shall be permitted to institute any legal proceeding in order to seek recovery of actual damages incurred by Buyer due to such knowing and willful breach by Seller (it being understood that in no event shall Seller be liable for any consequential, indirect, punitive, special or exemplary damages, or for lost profits, unrealized expectations or any other similar claims).

28.4 The provisions of this Article 28 shall be the sole and exclusive remedy resulting from a Breach of any representations, warranty, covenant or agreement prior to the Closing that is available under contract, tort or any other legal theory to the parties to this Agreement.

29. RISK OF LOSS.

29.1 If, on or before the Closing Date, all or any of the Acquisition Assets are (a) damaged or destroyed by fire or other casualty or (b) taken as a result of any condemnation or eminent domain proceeding, Seller shall promptly notify the Buyer. If (a) the reasonable cost to restore the resulting casualty or condemnation exceeds Twelve Million Five Hundred Thousand and 00/100 Dollars ($12,500,000.00), Buyer may terminate this Agreement by delivery of a notice of termination to Seller within twenty (20) days after the date of delivery of Seller's notice of such casualty or condemnation, time being of the essence or (b) the casualty gives rise to the right of a tenant to terminate any of the Major Leases (unless such tenant has waived their right of termination), Buyer may terminate this Agreement by delivery of a notice of termination to Seller not sooner than thirty (30) days after the date of delivery of Seller's notice of such casualty or condemnation, but not later than fifty (50) days after the date of delivery of Seller's notice of such casualty or condemnation, time being of the essence. If Buyer does not terminate this Agreement pursuant to and in accordance with the foregoing sentence, Buyer shall remain obligated to close the acquisition of the Acquisition Assets.

29.2 At the Closing, Seller shall credit against the Purchase Price payable by Buyer an amount equal to the net proceeds, if any, received by Seller from such casualty or condemnation and not paid toward the repair or restoration of the Acquisition Assets plus the amount of any deductible applicable to the casualty. If, as of the Closing Date, Buyer has not elected to terminate this Agreement pursuant to Section 29.1 above, then the parties shall, nevertheless, consummate the transactions described in this Agreement on the Closing Date, without any deduction for such insurance or condemnation proceeds, and Seller shall, at the Closing, credit against the Purchase Price an amount equal to the net proceeds, if any, received by Seller from such casualty or condemnation and not paid toward the repair or restoration of the Acquisition Assets and assign to Buyer all Seller's rights, if any, to the insurance or condemnation proceeds and to all other rights or claims arising out of or in connection with such casualty or condemnation and credit Buyer the amount of any deductible. Seller shall not settle or compromise any claim without Buyer's prior written consent, which shall not be unreasonably conditioned, withheld or delayed.

30. MISCELLANEOUS.

30.1 Anything to the contrary contained herein notwithstanding, any contingency or other condition to this Agreement or failure by Seller may be waived by Buyer and Buyer may elect to take title subject thereto. If so elected by Buyer, it shall not be entitled to any offset, credit, allowance or to an abatement of the Purchase Price unless otherwise stipulated elsewhere herein.

30.2 All oral or written statements, representations, promises, and agreements of Seller and Buyer are merged into and superseded by this Agreement, which alone fully and completely expresses their agreement, and this Agreement contains all of the terms agreed upon by the parties with respect to the subject matter hereof. This Agreement has been entered into after full investigation.

30.3 Except as expressly provided herein, none of the representations, warranties, covenants, indemnities or other obligations of Seller hereunder shall survive the Closing, and acceptance of the Deed and the Ancillary Documents shall be deemed full and complete performance and discharge of every agreement and obligation of Seller and Buyer hereunder.

30.4 This Agreement may not be altered, amended, changed, waived, or modified in any respect or particular unless the same shall be in writing signed by Seller and Buyer. No waiver by any party of any Breach hereunder shall be deemed a waiver of any other or subsequent Breach.

30.5 The federal tax identification number of Seller is 22-3897379, and the federal tax identification number of Buyer is 20-3096445.

30.6 Neither this Agreement nor any memorandum thereof shall be recorded by Buyer. Any recordation or attempted recordation by Buyer of same shall be a material default by Buyer hereunder.

30.7 The captions hereof are for convenience only and are not to be considered in construing this Agreement.

30.8 This Agreement shall not be considered an offer or an acceptance of an offer by Seller, and shall not be binding upon Seller until executed and unconditionally delivered by Seller and Buyer. The "EFFECTIVE DATE" of this Agreement, wherever mentioned in this Agreement, shall be the date of this Agreement first above written.

30.9 This Agreement may be executed in any number of counterparts, all of which taken together shall constitute one and the same instrument. This Agreement may be executed by facsimile.

30.10 Section titles or captions in this Agreement are included for purposes of convenience only and shall not be considered a part of this Agreement in construing or interpreting any of its provisions. All references in this Agreement to Sections shall refer to Sections of this Agreement unless the context clearly otherwise requires.

30.11 The parties have participated jointly in the negotiation and drafting of this Agreement. If any ambiguity or question of intent or interpretation arises, no presumption or burden of proof shall arise favoring or disfavoring any party by virtue of the authorship of any of the provisions of this Agreement.

30.12 Unless the context otherwise requires, when used in this Agreement, the singular shall include the plural, the plural shall include the singular, and all pronouns shall be deemed to refer to the masculine, feminine or neuter, as the identity of the Person or Persons may require.

30.13 The parties do not intend that this Agreement shall confer on any third party any right, remedy or benefit or that any third party shall have any right to enforce any provision of this Agreement.

30.14 If a court in any Proceeding holds any provision of this Agreement or its application to any Person or circumstance invalid, illegal or unenforceable, the remainder of this Agreement, or the application or such provision to Persons or circumstances other than those to which it was held to be invalid, illegal or unenforceable, shall not be affected, and shall be valid, legal and enforceable to the fullest extent permitted by law, but only if and to the extent such enforcement would not materially and adversely frustrate the parties' essential objectives as expressed in this Agreement. Furthermore, in lieu of any such invalid or unenforceable term or provision, the parties intend that the court reform this Agreement to add a provision as similar in terms to such invalid or unenforceable provision as may be valid and enforceable, so as to effect the original intent of the parties to the greatest extent possible.

30.15 For the purpose of complying with any information reporting requirements or other rules and regulations of the IRS that are or may become applicable as a result of or in connection with the transactions described in this Agreement, including the IRS Reporting Requirements, Seller and Buyer hereby designate and appoint the Title Company to act as the Reporting Person. Buyer hereby acknowledges and accepts such designation and appointment and agrees to fully comply with any IRS Reporting Requirements that are or may become applicable as a result of or in connection with the transactions described in this Agreement. Without limiting the responsibility and obligations of Seller as the Reporting Person, Seller and Buyer hereby agree to comply with any provisions of the IRS Reporting Requirements that are not identified therein as the responsibility of the Reporting Person.

30.16 Any action to enforce any provision of this Agreement shall be instituted exclusively in the Supreme Court of the State of New York, Nassau County. The parties irrevocably and unconditionally waive and shall not plead, to the fullest extent permitted by all legal requirements, any objection that they may now or hereafter have to the jurisdiction of such courts over the parties, the laying of venue or the convenience of the forum of any action related to this Agreement that is brought in the Supreme Court of the State of New York, Nassau County.

30.17 All Schedules to this Agreement shall constitute part of this Agreement and shall be deemed to be incorporated in this Agreement by reference and made a part of this Agreement as if set out in full at the point where first mentioned. Any disclosure in the Schedules shall be deemed adequate to disclose an exception to any representation or warranty made in this Agreement.

30.18 This Agreement shall be governed by, and shall be construed and enforced in accordance with, the laws of the State of New York without giving effect to any conflict of law rule or principle of such state.

30.19 Each party shall be permitted to make a press release or other pubic announcement regarding this Agreement or the transactions described in this Agreement.

30.20 The party prevailing in any Proceeding shall be entitled to recover from the non-prevailing party, in addition to any Damages the prevailing party may have been awarded, all reasonable expenses that the prevailing party may have incurred in connection with such Proceeding, including account fees, attorneys' fees and expert witness' fees.

30.21 Seller and Buyer hereby waive trial by jury in any action, Proceeding or counterclaim brought by any party against another party on any matter arising out of or in any way connected with this Agreement.

30.22 Seller shall authorize its independent auditors to provide Buyer, Buyer's affiliates and Buyer's auditors with such information (including reasonable access to the books and records of the Premises, but not Seller's tax returns, proprietary and intra-company information or agreements) that is required to comply with the financial reporting requirements of the Securities and Exchange Commission and the New York Stock Exchange. All such cooperation and assistance shall be provided at Buyer's sole cost and expense and Buyer hereby indemnifies and holds Seller harmless from any claims by its auditors for the non-payment of such expenses by Buyer. Such cooperation shall include allowing Buyer's auditors reasonable access to all audit work papers and underlying data. Seller shall also provide to Buyer any and all Seller's letters covering years 2003 (September through December), 2004 and 2005 (year to date) to its outside auditors and required by its auditors to prepare Seller's audited financial statements for such years. Seller shall request C&W to cooperate and assist Buyer, at Buyer's expense, in Buyer's preparation of the 2005, 2004 (and 2003, to the extent not completed) tenant escalation payments. Notwithstanding the foregoing, Buyer acknowledges and agrees that the delivery of the information required by this Section by Seller or its auditors shall not be construed to be a representation by Seller, or any expansion or modification of the representations made by Seller in this Agreement, shall not be deemed to extend the representations made by Seller to any third party and no such party is authorized to rely thereon, and Seller shall not be required to review or correct any information Buyer elects to utilize in any filings or reports to be made by Buyer and Buyer agrees that no copies of Seller's letters to its auditors or the contents thereof nor references thereto shall be contained within any such report. Buyer hereby agrees to indemnify and hold Seller and its members, officers, partners, agents, shareholders, affiliates and auditors harmless from and against any and all costs, claims, liabilities, expenses, damages, including reasonable attorneys' fees, arising from any filings or reports made or provided by Buyer to any third party. This provision shall survive the Closing.

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IN WITNESS WHEREOF, Seller and Buyer have duly executed this Agreement on the date first above written.

SELLER: GALAXY LI ASSOCIATES LLC,
a Delaware limited liability company

By: Galaxy LI Mezz LLC, its sole member

By: Galaxy LI Junior Mezz LLC, its sole member

By: Galaxy LI Member LLC, its sole member

By: Meushar LLC, its managing member

By: _____
Name:
Title:

BUYER: RECKSON EAB LLC,
a Delaware limited liability company

By: Reckson Operating Partnership, L.P.,
its sole member

By: Reckson Associates Realty Corp.,
its general partner

By: _____
Name:
Title:

[Signatures Continue on the Following Page]

Exhibit 10.3

NOTE

New York, New York
$315,000,000 August 3, 2005

This NOTE, is dated as of August 3, 2005 (this NOTE), by RECKSON COURT SQUARE, LLC, a Delaware limited liability company (BORROWER), having an office at c/o Reckson Associates Realty Corp., 225 Broadhollow Road, Melville, New York 11747, in favor of GERMAN AMERICAN CAPITAL CORPORATION, a Maryland corporation (together with its successors and assigns, LENDER), having an office at 60 Wall Street, New York, New York 10005.

NOW, THEREFORE, FOR VALUE RECEIVED, Borrower promises to pay to the order of Lender the Principal Amount (as defined below) together with interest from the date hereof and other fees, expenses and charges as provided in this Note.

1. DEFINED TERMS.

a. Capitalized terms used but not otherwise defined herein shall have the respective meanings given thereto in the Loan Agreement (as defined below), unless otherwise expressly provided herein. All references to sections shall be deemed to be references to sections of this Note, unless otherwise indicated.

b. The following terms shall have the meaning ascribed thereto:

ANTICIPATED REPAYMENT DATE shall mean September 1, 2015.

APPLICABLE INTEREST RATE shall mean (i) from the date hereof through and including the Anticipated Repayment Date, the Initial Interest Rate, and (ii) from the day after the Anticipated Repayment Date through and including the Maturity Date, the Revised Interest Rate.

BORROWER shall have the meaning provided in the first paragraph hereof.

DEFAULT RATE shall mean a rate per annum equal to the lesser of (a) the Maximum Legal Rate and (b) four percent (4%) above the Applicable Interest Rate.

DISCOUNT RATE shall mean the rate which, when compounded monthly, is equivalent to the Treasury Rate when compounded semi-annually.

INITIAL INTEREST RATE shall mean a rate of 4.905% per annum.

INITIAL MONTHLY AMOUNT shall have the meaning provided in Section 3(a)(ii).

INTEREST PERIOD shall have the meaning provided in Section 2(b).

LENDER shall have the meaning provided in the first paragraph hereof.

LIQUIDATED DAMAGES AMOUNT shall have the meaning set forth in Section 4(d).

LOAN AGREEMENT shall mean the Loan and Security Agreement, dated the date hereof, between Borrower and Lender, as the same may hereafter be amended or modified.

LOCKOUT PERIOD shall mean the period commencing on the date hereof and expiring on the earlier date to occur of (i) two (2) years after the closing of any Securitization or (ii) three (3) years after the first (1st) day of the calendar month immediately following the calendar month in which the funding of this Note occurs.

MATURITY DATE shall mean May 1, 2020, or such earlier date on which the final payment of principal of this Note becomes due and payable as provided in the Loan Agreement or this Note, whether at such stated maturity date, by declaration of acceleration, or otherwise.

MATURITY DATE PAYMENT shall have the meaning set forth in Section 3(d).

MONTHLY AMOUNT shall have the meaning provided in Section 3(a)(iii).

NOTE shall have the meaning provided in the first paragraph hereof.

PAYMENT DATE shall be the first (1st) calendar day of each calendar month, and if such day is not a Business Day, then the Business Day immediately preceding such day, commencing on October 1, 2005 and continuing to and including the Maturity Date.

PREPAYMENT DATE shall have the meaning provided in Section 4(a)(i).

PREPAYMENT NOTICE shall have the meaning provided in Section 4(a)(i).

PRINCIPAL AMOUNT shall mean Three Hundred and Fifteen Million Dollars ($315,000,000) or so much thereof as may be outstanding under this Note.

REVISED INTEREST RATE shall mean a rate per annum equal to two hundred basis points (2.00%) plus the greater of (i) the Initial Interest Rate and (ii) the Treasury Rate on Anticipated Repayment Date.

REVISED MONTHLY AMOUNT shall have the meaning provided in Section 3(a)(iii).

TREASURY RATE shall mean, as of any Payment Date, the yield, calculated by linear interpolation (rounded to the nearest one-thousandth of one percent) of the yields of non-callable United States Treasury obligations with a term of ten (10) years from such Payment Date (and converted to a monthly equivalent yield), as determined by Lender on the basis of Federal Reserve Statistical Release H.15 Selected Interest Rates under the heading U.S. Governmental Security/Treasury Constant Maturities or, if such publication is unavailable, such other recognized source of financial market information as shall be selected by Lender for the week prior to such Payment Date.

YIELD MAINTENANCE PREMIUM shall mean the present value, as of the Prepayment Date, of the remaining scheduled payments of principal and interest from the Prepayment Date through the date which is three (3) months prior to the Anticipated Repayment Date (including any balloon payment) determined by discounting such payments at the Discount Rate, less the amount of principal being prepaid.

2. INTEREST.

a. Prior to the Anticipated Repayment Date, interest shall accrue on the Principal Amount at the Initial Interest Rate. In the event that Borrower does not repay the Principal Amount in full on or before the Anticipated Repayment Date, then, from and after the Anticipated Repayment Date, interest shall accrue on the Principal Amount at the Revised Interest Rate.

b. Interest on the principal sum of this Note shall be calculated based on the Applicable Interest Rate and on the basis of a fraction, the denominator of which shall be 360 and the numerator of which shall be the actual number of days elapsed in the relevant Interest Period, except that interest due and payable for a period less than a full month shall be calculated by multiplying the actual number of days elapsed in such period by a daily rate based on said three hundred sixty (360) day year. Interest shall accrue from, and including, the first (1st) day of the prior month and ending on the last day of the prior month (an INTEREST PERIOD); in each case without adjustment for any Business Day convention; provided that the first accrual period shall commence on the date hereof.

c. Except as expressly set forth in the Loan Agreement to the contrary, interest shall accrue on all amounts advanced by Lender pursuant to the Loan Documents (other than the Principal Amount, which shall accrue interest in accordance with clauses a. and b. above) at the Default Rate.

d. The provisions of this Section 2 are subject in all events to the provisions of Section 2.2.4 of the Loan Agreement.

3. PAYMENTS.

a. Interest under this Note shall be payable as follows:

i. On the date hereof, interest from the date hereof through and including August 31, 2005 in the amount of $1,244,643.75;

ii. commencing on October 1, 2005 and on each and every Payment Date thereafter until the Anticipated Repayment Date, monthly installments of interest payable on this Note in arrears in an amount (subject to adjustment as provided in Section 4(f)) equal to interest calculated at the Initial Interest Rate in accordance with Section 2 (the INITIAL MONTHLY AMOUNT); and

iii. commencing on the Anticipated Repayment Date, monthly installments of interest payable on this Note in arrears in an amount (subject to adjustment as provided in Section 4(f)) equal to interest calculated at the Revised Interest Rate in accordance with Section 2 (the REVISED MONTHLY AMOUNT and, together with the Initial Monthly Amount, the MONTHLY AMOUNT).

b. No regularly scheduled payments of principal shall be due with respect to the Loan prior to the Maturity Date. From and after the Anticipated Repayment Date, unless the Indebtedness has been repaid in full, Borrower shall continue to make payments of the Monthly Amount on each Payment Date. From and after the Anticipated Repayment Date, unless the Indebtedness has been repaid in full, all Excess Cash Flow shall be applied on each Payment Date as a partial prepayment of the outstanding principal Indebtedness, as set forth in Section 3.1.6(a)(ii) of the Loan Agreement.

c. All payments made by Borrower hereunder or under any of the Loan Documents shall be made on or before 4:00 P.M. New York City time. Any payments received after such time shall be credited to the next following Business Day.

d. All amounts advanced by Lender pursuant to the Loan Documents, other than the Principal Amount, shall be due and payable as provided in the Loan Documents. In the event any such advance is not so repaid by Borrower, Lender may, at its option, first apply any payments received under this Note to repay such advances, or other charges with respect to such advances (as provided in the Loan Documents), together with any interest thereon, and the balance, if any, shall be applied in payment of any installment of interest or principal then due and payable.

e. The entire Principal Amount of this Note, all unpaid accrued interest, all interest that would accrue on the Principal Amount through the end of the Interest Period during which the Maturity Date occurs (to the extent the Maturity Date is not the first (1st) day of a calendar month) and all other fees and sums then payable hereunder or under the Loan Documents (collectively, the MATURITY DATE PAYMENT), shall be due and payable in full on the Maturity Date.

f. Amounts due on this Note shall be payable, without any counterclaim, setoff or deduction whatsoever, at the office of Lender or its agent or designee at the address set forth on the first page of this Note or at such other place as Lender or its agent or designee may from time to time designate in writing.

g. All amounts due under this Note, including, without limitation, interest and the Principal Amount, shall be due and payable in lawful money of the United States.

h. To the extent that Borrower makes a payment or Lender receives any payment or proceeds for Borrower's benefit, which are subsequently invalidated, declared to be fraudulent or preferential, set aside or required to be repaid to a trustee, debtor in possession, receiver, custodian or any other party under any bankruptcy law, common law or equitable cause, then, to such extent, the obligations of Borrower hereunder intended to be satisfied shall be revived and continue as if such payment or proceeds had not been received by Lender.

4. PREPAYMENTS. Except as permitted in Sections 4(a), 4(b), 4(c) and 4(d) hereof, the outstanding Principal Amount may not be prepaid in whole or in part prior to the Anticipated Repayment Date.

a. VOLUNTARY PREPAYMENTS. Borrower shall not have the right to prepay, in whole or in part, the Principal Amount due hereunder prior to the Anticipated Repayment Date; provided, however, Borrower shall be entitled to make a prepayment of all of the Principal Amount (A) in each case on any of the three (3) Payment Dates occurring immediately preceding the Anticipated Repayment Date (or on any Business Day occurring in the Interest Period immediately preceding any of such three (3) Payment Dates or the Anticipated Repayment Date, subject to Section 4(a)(iii) below) and at any time thereafter, without any premium or penalty and (B) on any Business Day where Borrower has notified Lender that Borrower elects to make a prepayment of the Principal Amount pursuant to Section 2.4.7 of the Loan Agreement, without any premium or penalty. Any such prepayment shall be conditioned upon satisfaction of the following:

i. Borrower shall provide prior irrevocable written notice (the PREPAYMENT NOTICE) to Lender specifying the proposed date on which the prepayment is to be made, which date must be on a Business Day and shall be no earlier than thirty (30) days after the date of such Prepayment Notice and no later than ninety (90) days after the date of such Prepayment Notice (the date of a prepayment pursuant to this Section 4(a) or Section 4(c) below being the PREPAYMENT DATE); provided, however, that any such notice delivered with respect to a prepayment of the Principal Amount under Section 4(a)(A) above shall be freely revocable by Borrower on prior written notice to Lender and, with respect to any prepayment under Section 4(a) above, Borrower may, from time to time on written notice to Lender delivered no later than two (2) Business Days prior to the then scheduled Prepayment Date, extend such then scheduled Prepayment Date (provided that in no event shall the aggregate number of days by which Borrower elects to so extend any prepayment exceed thirty (30) days);

ii. Borrower shall comply with the provisions set forth in Section 4(d) of this Note; and

iii. In the event that Borrower elects to prepay the Loan on any Business Day which is not a Payment Date, then (A) such prepayment shall include interest payable hereunder calculated through the end of the Interest Period during which such prepayment is made, (B) such prepayment shall be deposited into the Collection Account for application in accordance with Section 3.1 of the Loan Agreement and (C) until the next occurring Payment Date, Lender shall direct the Cash Management Bank to invest the amount prepaid in Permitted Investments in accordance with the Account Agreement and Borrower shall be entitled to any interest or earnings thereon.

b. DEFEASANCE. From and after expiration of the Lockout Period and prior to the Anticipated Repayment Date, Borrower shall have the right to defease the Loan pursuant to the provisions of Section 9.1.1 of the Loan Agreement. In no event shall a prepayment of this Note in accordance with Sections 4(a) or 4(c) trigger or result in any defeasance liability under this Note or the other Loan Documents.

c. MANDATORY PREPAYMENTS.

i. On the next occurring Payment Date following the date on which (x) Lender actually receives any Proceeds (other than business interruption Proceeds or other Proceeds of a similar nature), if Lender is not obligated to make such Proceeds available to Borrower for the restoration of the Property, and (y) in accordance with Section 6.2.3(a) of the Loan Agreement, Lender has elected to prepay the Note using such Proceeds, Lender shall apply such Proceeds to the Principal Amount in an amount equal to one hundred percent (100%) of such Proceeds and the same shall constitute a mandatory prepayment of this Note;

ii. On the Payment Date on which Lender shall apply such Proceeds to the Principal Amount in accordance with clause (i) above or any Payment Date thereafter, Borrower may elect (on prior written notice to Lender) to prepay the entire remaining balance of the Principal Amount (without premium or penalty) if such Proceeds do not equal the entire Principal Amount; and

iii. Borrower shall comply with the provisions set forth in Section 4(d) of this Note.

d. PAYMENTS IN CONNECTION WITH A PREPAYMENT.

i. On the date on which a prepayment, voluntary or mandatory, is made under this Note or as required under the Loan Agreement, Borrower shall pay to Lender all unpaid interest on the Principal Amount prepaid, such unpaid interest calculated (even if such period extends beyond the date of prepayment) through the end of the Interest Period for which such prepayment is made.

ii. On the Prepayment Date, Borrower shall pay to Lender all other sums (not including scheduled interest payments) then due under the Note, the Loan Agreement, the Security Instrument, and the other Loan Documents;

iii. Borrower shall pay all costs and expenses of Lender incurred in connection with the prepayment (including without limitation, any costs and expenses associated with a release of the Lien of the related Security Instrument as set forth in Section 2.3.3 of the Loan Agreement as well as reasonable attorneys' fees and expenses (subject to the limitations set forth in Section 14.4 of the Loan Agreement)); and

iv. In the event that the Prepayment Date in connection with an acceleration of the Loan, Borrower shall also pay to Lender the Yield Maintenance Premium.

e. LIQUIDATED DAMAGES AMOUNT. IF NOTWITHSTANDING THE PROHIBITIONS OF THIS SECTION 4, THE LOAN IS VOLUNTARILY OR INVOLUNTARILY REPAID DURING THE LOCKOUT PERIOD, INCLUDING, BUT NOT LIMITED TO, AS A RESULT OF AN ACCELERATED MATURITY DATE, THEN BORROWER SHALL PAY TO LENDER, AS LIQUIDATED DAMAGES FOR SUCH DEFAULT AND NOT AS A PENALTY, AND IN ADDITION TO ANY AND ALL OTHER SUMS AND FEES PAYABLE UNDER THIS NOTE AND THE OTHER LOAN DOCUMENTS, AN AMOUNT EQUAL TO FIVE PERCENT (5%) OF THE PRINCIPAL AMOUNT BEING REPAID (THE "LIQUIDATED DAMAGES AMOUNT"). NOTWITHSTANDING THE FOREGOING, THE LIQUIDATED DAMAGES AMOUNT SHALL NOT BE APPLIED TOWARD ANY PREPAYMENTS OF PROCEEDS (AS SUCH TERM IS DEFINED IN THE LOAN AGREEMENT) NOR ANY PREPAYMENT DESCRIBED IN SECTION 4(a)(B) OR 4(c)(ii) ABOVE.

f. In the event that any partial mandatory prepayment of principal occurs before the Anticipated Repayment Date, the Payment Dates shall remain the same and Lender shall recalculate the amount of subsequent Monthly Amounts to reflect the reduction of the Principal Amount. In the event that any partial mandatory prepayment of principal occurs after the Anticipated Repayment Date or Excess Cash Flow is applied to the prepayment of principal after the Anticipated Repayment Date, the Payment Dates shall remain the same and Lender shall take into account the reduction of the Monthly Amount when applying payments against accrued interest and principal Any Principal Amount prepaid pursuant to this Section 4 may not be reborrowed hereunder. ---------

5. MISCELLANEOUS.

a. WAIVER. Borrower and all endorsers, sureties and guarantors hereby jointly and severally waive (to the maximum extent permitted by law) all applicable exemption rights, valuation and appraisement, presentment for payment, demand, notice of demand, notice of nonpayment or dishonor, protest and notice of protest of this Note, and, except as otherwise expressly provided in the Loan Documents, all other notices in connection with the delivery, acceptance, performance, default or enforcement of the payment of this Note. Borrower and all endorsers, sureties and guarantors consent to any and all extensions of time, renewals, waivers or modifications that may be granted by Lender with respect to the payment or other provisions of this Note and to the release of the collateral securing this Note or any part thereof, with or without substitution, and agree that additional makers, endorsers, guarantors or sureties may become parties hereto without notice to them or affecting their liability under this Note.

b. NON-RECOURSE. Recourse to the Borrower with respect to any claims arising under or in connection with this Note shall be limited to the extent provided in Section 18 of the Loan Agreement and the terms, covenants and conditions of Section 18 of the Loan Agreement are hereby incorporated by reference as if fully set forth in this Note.

c. NOTE SECURED. This Note and all obligations of Borrower hereunder are secured by the Loan Agreement, the Security Instrument and the other Loan Documents.

d. NOTICES. Any notice, election, request or demand which by any provision of this Note is required or permitted to be given or served hereunder shall be given or served in the manner required for the delivery of notices pursuant to the Loan Agreement.

e. ENTIRE AGREEMENT. This Note, together with the other Loan Documents, constitutes the entire and final agreement between Borrower and Lender with respect to the subject matter hereof and thereof and may only be changed, amended, modified or waived by an instrument in writing signed by Borrower and Lender.

f. NO WAIVER. No waiver of any term or condition of this Note, whether by delay, omission or otherwise, shall be effective unless in writing and signed by the party sought to be charged, and then such waiver shall be effective only in the specific instance and for the purpose for which given. No notice to, or demand on, Borrower shall entitle Borrower to any other or future notice or demand in the same, similar or other circumstances.

f. SUCCESSORS AND ASSIGNS. This Note shall be binding upon and inure to the benefit of Borrower and Lender and their respective successors and permitted assigns. Upon any endorsement, assignment, or other transfer of this Note by Lender or by operation of law, the term "Lender" as used herein, shall mean such endorsee, assignee, or other transferee or successor to Lender then becoming the holder of this Note. The term "Borrower" as used herein shall include the respective successors and assigns, legal and personal representatives, executors, administrators, devisees, legatees and heirs of Borrower, if any.

h. CAPTIONS. All paragraph, section, exhibit and schedule headings and captions herein are used for reference only and in no way limit or describe the scope or intent of, or in any way affect, this Note.

i. COUNTERPARTS. This Note may be executed in counterparts, each of which shall be an original and all of which, when taken together, shall constitute one binding Note.

j. SEVERABILITY. The provisions of this Note are severable, and if any one clause or provision hereof shall be held invalid or unenforceable in whole or in part, then such invalidity or unenforceability shall affect only such clause or provision, or part thereof, and not any other clause or provision of this Note.

k. GOVERNING LAW. THIS NOTE SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK PURSUANT TO SECTION 5-1401 OF THE NEW YORK GENERAL OBLIGATIONS LAW, WITHOUT REGARD TO CHOICE OF LAW RULES. BORROWER AGREES THAT, AT LENDER'S OPTION, ANY SUIT FOR THE ENFORCEMENT OF THIS NOTE OR ANY OTHER LOAN DOCUMENT MAY BE BROUGHT IN THE COURTS OF THE STATE OF NEW YORK OR ANY FEDERAL COURT SITTING THEREIN IN NEW YORK COUNTY OR QUEENS COUNTY AND CONSENT TO THE NONEXCLUSIVE JURISDICTION OF SUCH COURT AND THE SERVICE OF PROCESS IN ANY SUCH SUIT BEING MADE UPON BORROWER IN THE MANNER AND AT THE ADDRESS SPECIFIED FOR NOTICES IN THE LOAN AGREEMENT. BORROWER HEREBY WAIVES ANY OBJECTION THAT IT MAY NOW OR HEREAFTER HAVE TO THE VENUE OF ANY SUCH SUIT BROUGHT IN SUCH LOCATION BEFORE ANY SUCH COURT OR THAT SUCH SUIT BEFORE SUCH COURT IS BROUGHT IN AN INCONVENIENT COURT.

l. JURY TRIAL WAIVER. BORROWER AND ALL PERSONS CLAIMING BY, THROUGH OR UNDER IT HEREBY EXPRESSLY, KNOWINGLY, VOLUNTARILY AND INTENTIONALLY WAIVE ANY RIGHT TO TRIAL BY JURY OF ANY CLAIM, DEMAND, ACTION OR CAUSE OF ACTION (I) ARISING UNDER THIS NOTE, INCLUDING, WITHOUT LIMITATION, ANY PRESENT OR FUTURE MODIFICATION THEREOF OR (II) IN ANY WAY CONNECTED WITH OR RELATED OR INCIDENTAL TO THE DEALINGS OF THE PARTIES HERETO OR ANY OF THEM WITH RESPECT TO THIS NOTE (AS NOW OR HEREAFTER MODIFIED) OR ANY OTHER INSTRUMENT, DOCUMENT OR AGREEMENT EXECUTED OR DELIVERED IN CONNECTION HEREWITH, OR THE TRANSACTIONS RELATED HERETO OR THERETO, IN EACH CASE WHETHER SUCH CLAIM, DEMAND, ACTION OR CAUSE OF ACTION IS NOW EXISTING OR HEREAFTER ARISING, AND WHETHER SOUNDING IN CONTRACT OR TORT OR OTHERWISE; AND BORROWER HEREBY AGREES AND CONSENTS THAT AN ORIGINAL COUNTERPART OR A COPY OF THIS SECTION MAY BE FILED WITH ANY COURT AS WRITTEN EVIDENCE OF THE CONSENT HERETO TO THE WAIVER OF ANY RIGHT TO TRIAL BY JURY. BORROWER ACKNOWLEDGES THAT IT HAS CONSULTED WITH LEGAL COUNSEL REGARDING THE MEANING OF THIS WAIVER AND ACKNOWLEDGES THAT THIS WAIVER IS AN ESSENTIAL INDUCEMENT FOR THE MAKING OF THE LOAN. THIS WAIVER SHALL SURVIVE THE REPAYMENT OF THE LOAN.

m. COUNTERCLAIMS AND OTHER ACTIONS. Borrower hereby expressly and unconditionally waives, in connection with any suit, action or proceeding brought by Lender on this Note, any and every right it may have to (i) interpose any counterclaim therein (other than a counterclaim which can only be asserted in the suit, action or proceeding brought by Lender on this Note and cannot be maintained in a separate action) and (ii) have any such suit, action or proceeding consolidated with any other or separate suit, action or proceeding.

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IN WITNESS WHEREOF, Borrower has caused this Note to be executed and delivered as of the day and year first above written.

BORROWER:

RECKSON COURT SQUARE, LLC, a Delaware limited liability company

By: One Court Square Holdings LLC, a Delaware limited liability company, its sole member

By: Reckson Operating Partnership, L.P., a Delaware limited partnership, its sole member

By: Reckson Associates Realty Corp., a Maryland corporation, its general partner

By: _____
Name:
Title:

Exhibit 10.4

LOAN AND SECURITY AGREEMENT

Dated as of August 3, 2005

Between

RECKSON COURT SQUARE, LLC,

as Borrower

and

GERMAN AMERICAN CAPITAL CORPORATION,

as Lender

TABLE OF CONTENTS

EXHIBITS AND SCHEDULES

LOAN AND SECURITY AGREEMENT

This LOAN AND SECURITY AGREEMENT, dated as of August 3, 2005 (as amended, restated, replaced, supplemented or otherwise modified from time to time, this "Agreement"), between RECKSON COURT SQUARE, LLC, a Delaware limited liability company ("Borrower") having an office at c/o Reckson Associates Realty Corp., 225 Broadhollow Road, Melville, New York 11747, and GERMAN AMERICAN CAPITAL CORPORATION, a Maryland corporation, having an address at 60 Wall Street, New York, New York 10005 (together with its successors and assigns, "Lender").

RECITALS:

WHEREAS, Borrower desires to obtain the Loan (as hereinafter defined) from Lender;

WHEREAS, Lender is willing to make the Loan to Borrower, subject to and in accordance with the terms of this Agreement and the other Loan Documents (as hereinafter defined).

NOW, THEREFORE, in consideration of the making of the Loan by Lender and the covenants, agreements, representations and warranties set forth in this Agreement, the parties hereto hereby covenant, agree, represent and warrant as follows:

I. DEFINITIONS; PRINCIPLES OF CONSTRUCTION

1.1 Definitions. For all purposes of this Agreement, except as otherwise expressly required or unless the context clearly indicates a contrary intent:

"Account Agreement" shall mean the Account and Control Agreement, dated the date hereof, among Lender, Borrower and Cash Management Bank.

"Account Collateral" shall have the meaning set forth in Section 3.1.2.

"Additional Non-Consolidation Opinion" shall have the meaning set forth in Section 4.1.29(b).

"Affiliate" shall mean, with respect to any specified Person, any other Person directly or indirectly controlling or controlled by or under direct or indirect common control with, or any general partner or managing member in, such specified Person. An Affiliate of a Person includes, without limitation, (i) any officer or director of such Person, (ii) any record or beneficial owner of more than 25% of any class of ownership interests of such Person and (iii) any Person directly or indirectly controlling or controlled by or under direct or indirect common control with, or any general partner or managing member in, the foregoing. For the purposes of this definition, "control" when used with respect to any specified Person means the power to direct the management and policies of such Person, directly or indirectly, whether through the ownership of voting securities or other beneficial interest, by contract or otherwise; and the terms "controlling" and "controlled" have the meanings correlative to the foregoing.

"Agreement" shall mean this Agreement, as the same may be amended, restated, replaced, supplemented or otherwise modified from time to time.

"ALTA" shall mean American Land Title Association, or any successor thereto.

"Alteration" shall have the meaning set forth in Section 10.2.

"Amended and Restated Lease" shall have the meaning set forth in the Existing Citibank Lease.

"Annual Budget" shall mean the operating budget for the Property prepared by Borrower (or a Manager, on Borrower's behalf, pursuant to the Management Agreement), for the applicable Fiscal Year or other period setting forth, in reasonable detail, Borrower's good faith estimates of the anticipated results of operations of the Property, including revenues from all sources, all Operating Expenses, management fees and Capital Expenditures.

"Anticipated Repayment Date" shall have the meaning set forth in the Note.

"Applicable Interest Rate" shall have the meaning set forth in the Note.

"Approved Bank" shall have the meaning set forth in the Account Agreement.

"Approved Operating Expenses" shall mean the monthly Operating Expenses as set forth on the Annual Budget approved by Lender pursuant to Section 11.2.6; provided, however, that if such Annual Budget has not been approved by Lender, then the term "Approved Operating Expenses" shall mean the amount of Operating Expenses set forth on the immediately preceding Annual Budget approved by the Lender.

"Assignment and Acceptance" shall mean an assignment and acceptance entered into by Lender and an assignee, and accepted by Lender in accordance with Article XV and in substantially the form of Exhibit M or such other form customarily used by Lender in connection with the participation or syndication of mortgage loans at the time of such assignment.

"Assignment of Leases" shall mean that certain first priority Assignment of Leases, Rents and Security Deposits, dated as of the date hereof, from Borrower, as assignor, to Lender, as assignee, assigning to Lender all of Borrower's interest in and to the Leases, Rents and Security Deposits as security for the Loan, as the same may be amended, restated, replaced, supplemented or otherwise modified from time to time.

"Assignment of Management Agreement" shall mean a Manager's Consent and Subordination of Management Agreement in the form attached hereto as Exhibit L, as the same may be amended, restated, replaced, supplemented or otherwise modified from time to time.

"Assumed Debt Service" shall mean the aggregate amount of interest due and payable in accordance with the Notes during the applicable immediately succeeding twelve (12) month period, assuming that interest on the aggregate outstanding principal balance of the Notes is accruing at the Loan Constant.

"Assumed Debt Service Coverage Ratio" shall mean a ratio, as reasonably determined by Lender for the applicable period, in which:

(a) the numerator is the Net Cash Flow from the Property for the twelve (12) month period immediately following the applicable calculation date (except that in determining Net Cash Flow for this calculation, Operating Income shall not include the rents, income or revenue from Leases which have not, as of anytime during such calculation period, satisfied all of the Preconditions); and

(b) the denominator is the sum of (i) any payments to be made by Borrower to any Mezzanine Lender on each Payment Date for the immediately succeeding twelve (12) Interest Periods plus (ii) the Assumed Debt Service.

"Bankruptcy Code" shall mean Title 11, U.S.C.A., as amended from time to time and any successor statute thereto.

"Borrower" has the meaning set forth in the first paragraph of this Agreement.

"Borrower's Account" shall mean account number 304174696 maintained at Cash Management Bank or such other account as Borrower may designate as Borrower's Account from time to time.

"Borrower's Business Purpose" shall have the meaning set forth in Section 5.2.3.

"Borrower's Knowledge" or terms of similar import used in the Loan Documents shall mean the actual knowledge of any of Scott Rechler, Michael Maturo, Philip Waterman and/or Jason Barnett, without independent investigation.

"Building Equipment" shall have the meaning set forth in the Security Instrument.

"Business Day" shall mean any day other than a Saturday, Sunday or any other day on which national banks in New York or in the state in which Servicer is located are not open for business.

"Capital Expenditures" shall mean any amount incurred in respect of capital items which in accordance with GAAP would not be included in Borrower's annual financial statements for an applicable period as an operating expense of the Property and is not reasonably expected by Borrower to be a regularly recurring operating expense of the Property.

"Cash" shall mean the legal tender of the United States of America.

"Cash and Cash Equivalents" shall mean any one or a combination of the following: (i) Cash, and (ii) U.S. Government Obligations.

"Cash Management Bank" shall mean JPMorgan Chase Bank, National Association, or any successor Approved Bank acting as Cash Management Bank under the Account Agreement or other financial institution approved by Lender or, if a Securitization has occurred, approved by the Rating Agencies.

"Casualty Amount" shall mean Five Million Dollars ($5,000,000), provided that solely for purposes of Section 6.2.1, the term "Casualty Amount" shall mean One Million Dollars ($1,000,000).

"Citibank" shall mean Citibank, N.A., a national banking association.

"Citibank Easement" shall have the meaning set forth in Section 8.3.

"Citibank Lease" shall mean the Existing Citibank Lease or the Amended and Restated Lease, whichever is in effect at the applicable time in question.

"Citibank Lien" shall mean any Lien which encumbers all or any portion of the Property which (i) is the Citibank Tenant's obligation to remove in accordance with the provisions of the Existing Citibank Lease and/or (ii) is granted by the Citibank Tenant (or any Person claiming by, through or under the Citibank Lease) or encumbers the Property as a result of any actions or omissions of the Citibank Tenant (or any Person claiming by, through or under the Citibank Lease).

"Citibank SNDA" shall mean the Subordination, Non-Disturbance and Attornment Agreement, dated as of August 3, 2005, between Lender, Borrower, as landlord, and Citibank, as tenant.

"Citibank Surrender Option" shall mean the option of the Citibank Tenant to surrender portions of the premises demised under the Citibank Lease pursuant to Article 4 of the Citibank Lease.

"Citibank Tenant" shall mean Citibank or any permitted successor or assign of Citibank under the Citibank Lease which is the tenant under the Citibank Lease at the applicable time.

"Closing Date" shall mean the date of this Agreement set forth in the first paragraph hereof.

"Code" shall mean the Internal Revenue Code of 1986, as amended, as it may be further amended from time to time, and any successor statutes thereto, and applicable U.S. Department of Treasury regulations issued pursuant thereto in temporary or final form.

"Collateral Accounts" shall have the meaning set forth in Section 3.1.1.

"Collateral Letter of Credit" shall mean each Letter of Credit issued by an Approved Bank pursuant to Section 16.2 in the amount of Ten Million Dollars ($10,000,000) in favor of Lender.

"Collateral Letter of Credit Release Conditions" shall have the meaning set forth in Section 16.2(b).

"Collection Account" shall mean the account specified herein for deposit of Rents and other receipts from the Property as provided herein.

"Control" shall have the meaning set forth in Section 8.5(b).

"Cut-Off Date" shall have the meaning set forth in Section 6.2.3.

"DBS" shall have the meaning set forth in Section 14.4.2(b).

"DBS Group" shall have the meaning set forth in Section 14.4.2(b).

"Debt" shall mean, with respect to any Person at any time, (a) indebtedness or liability of such Person for borrowed money whether or not evidenced by bonds, debentures, notes or other instruments, or for the deferred purchase price of property or services; (b) obligations of such Person as lessee under leases which should have been or should be, in accordance with GAAP, recorded as capital leases; (c) current liabilities of such Person in respect of unfunded vested benefits under plans covered by Title IV of ERISA; (d) obligations issued for, or liabilities incurred on the account of, such Person which obligations or liabilities are due and payable; (e) obligations or liabilities of such Person arising under letters of credit, credit facilities or other acceptance facilities; (f) obligations of such Person under any guarantees or other agreement to become secondarily liable for any obligation of any other Person, endorsements (other than for collection or deposit in the ordinary course of business) and other contingent obligations to purchase, to provide funds for payment, to supply funds to invest in any Person or otherwise to assure a creditor against loss; (g) obligations of such Person secured by any Lien on any property of such Person, whether or not the obligations have been assumed by such Person; or (h) obligations of such Person under any interest rate or currency exchange agreement.

"Debt Service" shall mean, with respect to any particular period of time, scheduled interest payments under the Note.

"Default" shall mean the occurrence of any event hereunder or under any other Loan Document which, but for the giving of notice or passage of time, or both, would be an Event of Default.

"Default Rate" shall have the meaning set forth in the Note.

"Defeasance" shall have the meaning set forth in Section 9.1(a).

"Defeasance Collateral" shall mean Defeasance Eligible Investments pledged to Lender as collateral pursuant to Section 9.1 (including, without limitation, all amounts then on deposit in the Defeasance Collateral Account).

"Defeasance Collateral Account" shall have the meaning set forth in Section 9.1(e).

"Defeasance Collateral Requirement" shall mean an amount sufficient to provide payment of all (A) principal indebtedness outstanding as of the date of Defeasance under the Note as it becomes due through the date that is three (3) months prior to the Anticipated Repayment Date and (B) scheduled interest on the Loan as it becomes due through the date that is three (3) months prior to the Anticipated Repayment Date.

"Defeasance Eligible Investments" shall mean (i) obligations or securities not subject to prepayment, call or early redemption which are direct obligations of, or obligations fully guaranteed as to timely payment by, the United States of America or any agency or instrumentality of the United States of America, the obligations of which are backed by the full faith and credit of the United States of America, which constitute "government securities" within the meaning of Section 2(a)(16) of the Investment Company Act of 1940, as amended, and the ownership of which will not cause Lender to be required to be registered as an "investment company" by virtue of Section 3(a)(1)(C) of the Investment Company Act of 1940, as amended, and which qualify under ss.1.860G-2(a)(8) of the Treasury regulations, (ii) debt obligations not subject to prepayment, call or early redemption which are direct obligations of, or obligations fully guaranteed as to timely payment by, Federal National Mortgage Association and which qualify under ss.1.860G-2(a)(8) of the Treasury regulations and (iii) such other securities as are acceptable to Lender in its sole discretion or, if a Securitization has occurred, the Rating Agencies in their sole discretion.

"Defeasance Note" shall have the meaning set forth in Section 9.1(a)(i).

"Defeasance Security Agreement" shall have the meaning set forth in Section 9.1(a)(ii).

"Deficiency" shall have the meaning set forth in Section 6.2.4(b).

"Disclosure Documents" shall have the meaning set forth in Section 14.4.1.

"DSCR Test" shall mean that Borrower shall maintain an Assumed Debt Service Coverage Ratio of at least 1.23:1 for the applicable immediately succeeding twelve (12) month period.

"Eligible Account" has the meaning set forth in the Account Agreement.

"Environmental Certificate" shall have the meaning set forth in Section 12.2.1.

"Environmental Claim" shall mean any claim, action, cause of action, investigation or written notice by any Person alleging potential liability (including potential liability for investigatory costs, cleanup costs, natural resource damages, property damages, personal injuries or penalties) arising out of, based upon or resulting from (a) the presence, threatened presence, release or threatened release into the environment of any Hazardous Materials from or at the Property, or (b) the violation, or alleged violation, of any Environmental Law relating to the Property.

"Environmental Event" shall have the meaning set forth in Section 12.2.1.

"Environmental Law" shall mean any federal, state or local statute, regulation or ordinance or any judicial or administrative decree or decision, whether now existing or hereinafter enacted, promulgated or issued, with respect to the protection of human health, or the environment, or any Hazardous Materials, drinking water, groundwater, wetlands, landfills, open dumps, storage tanks, underground storage tanks, solid waste, waste water, storm water run-off, waste emissions or wells. Without limiting the generality of the foregoing, the term shall encompass each of the following statutes, and regulations promulgated thereunder, and amendments and successors to such statutes and regulations, as may be enacted and promulgated from time to time: (i) the Comprehensive Environmental Response, Compensation and Liability Act of 1980 (codified in scattered sections of 26 U.S.C.; 33 U.S.C.; 42 U.S.C. and 42 U.S.C. ss.9601 et seq.); (ii) the Resource Conservation and Recovery Act of 1976 (42 U.S.C. ss.6901 et seq.); (iii) the Hazardous Materials Transportation Act (49 U.S.C. ss.1801 et seq.); (iv) the Toxic Substances Control Act (15 U.S.C. ss.2061 et seq.); (v) the Clean Water Act (33 U.S.C. ss.1251 et seq.); (vi) the Clean Air Act (42 U.S.C. ss.7401 et seq.); (vii) the Safe Drinking Water Act (21 U.S.C. ss.349; 42 U.S.C. ss.201 and ss.300f et seq.); (viii) the National Environmental Policy Act of 1969 (42 U.S.C. ss.4321); (ix) the Superfund Amendment and Reauthorization Act of 1986 (codified in scattered sections of 10 U.S.C., 29 U.S.C., 33 U.S.C. and 42 U.S.C.); and (x) Title III of the Superfund Amendment and Reauthorization Act (40 U.S.C. ss.1101 et seq.).

"Environmental Reports" shall have the meaning set forth in Section 12.1.

"ERISA" shall mean the United States Employee Retirement Income Security Act of 1974, as amended from time to time, and the regulations promulgated and the rulings issued thereunder.

"Event of Default" shall have the meaning set forth in Section 17.1(a).

"Excess Cash Flow" shall have the meaning set forth in Section 3.1.6(a)(ii).

"Exchange Act" shall have the meaning set forth in Section 14.4.1.

"Excluded Pledge" shall mean any pledge or encumbrance of direct or indirect interests in any Excluded Transferee.

"Excluded Transfer" shall mean any Transfer (i) of direct or indirect interests in any Excluded Transferee, (ii) of direct or indirect interests among Funds (or Subsidiaries thereof) advised by the same advisors (or an advisor which is an Affiliate of such advisor) or pension funds (or Subsidiaries thereof) advised by the same pension fund advisors (or a pension fund advisor which is an Affiliate of such pension fund advisor) and/or (iii) directly or indirectly resulting from a merger, consolidation or sale of all or substantially all of the assets of (or similar corporate transaction with respect to) any Excluded Transferee or its direct or indirect owners.

"Excluded Transferee" shall mean (i) Guarantor, (ii) any Permitted Owner, (iii) any Person whose ownership interests are publicly traded on a nationally recognized stock exchange, (iv) any Fund and (v) any Person who, at the time the applicable Excluded Pledge is made, is an Operating Company.

"Exculpated Parties" shall have the meaning set forth in Section 18.1.1.

"Excusable Delay" shall mean a delay solely due to acts of god, governmental restrictions, stays, judgments, orders, decrees, enemy actions, civil commotion, fire, casualty, strikes, work stoppages, shortages of labor or materials or other causes beyond the reasonable control of Borrower, but Borrower's lack of funds in and of itself shall not be deemed a cause beyond the control of Borrower.

"Existing Citibank Lease" shall mean that certain Lease, dated as of May 12, 2005, between Borrower, as landlord, and Citibank, as tenant, with respect to the premises commonly known as One Court Square, 25-01 Jackson Avenue, Long Island City, New York 11120.

"Fiscal Year" shall mean each twelve (12) month period commencing on January 1 and ending on December 31 during each year of the term of the Loan or the portion of any such 12-month period falling within the term of the Loan in the event that such a 12-month period occurs partially before or after, or partially during, the term of the Loan.

"Fitch" shall mean Fitch Ratings Inc.

"Fund" shall mean any private equity, investment or real estate opportunity fund.

"GAAP" shall mean the generally accepted accounting principles set forth in the opinions and pronouncements of the Accounting Principles Board and the American Institute of Certified Public Accountants and statements and pronouncements of the Financial Accounting Standards Board (or agencies with similar functions of comparable stature and authority within the accounting profession), or in such other statements by such entity as may be in general use by significant segments of the U.S. accounting profession, to the extent such principles are applicable to the facts and circumstances on the date of determination.

"Governmental Authority" shall mean any court, board, agency, commission, office or other authority of any nature whatsoever for any governmental unit (federal, state, county, district, municipal, city or otherwise) whether now or hereafter in existence.

"Guarantor" shall mean Reckson Operating Partnership, L.P., a Delaware limited partnership, and any successor by merger, consolidation or reorganization or by acquisition of all or substantially all of such Person's assets.

"Hazardous Materials" shall mean each and every element, compound, chemical mixture, contaminant, pollutant, material, waste or other substance which is defined, determined or identified as hazardous or toxic under any Environmental Law. Without limiting the generality of the foregoing, the term shall mean and include:

(i) "hazardous substances" as defined in the Comprehensive Environmental Response, Compensation and Liability Act of 1980, the Superfund Amendment and Reauthorization Act of 1986, or Title III of the Superfund Amendment and Reauthorization Act, each as amended, and regulations promulgated thereunder;

(ii) "hazardous waste" and "regulated substances" as defined in the Resource Conservation and Recovery Act of 1976, as amended, and regulations promulgated thereunder;

(iii) "hazardous materials" as defined in the Hazardous Materials Transportation Act, as amended, and regulations promulgated thereunder; and

(iv) "chemical substance or mixture" as defined in the Toxic Substances Control Act, as amended, and regulations promulgated thereunder.

"Holding Account" shall have the meaning set forth in Section 3.1.1.

"Impositions" shall mean all taxes (including all ad valorem, sales (including those imposed on lease rentals), use, single business, gross receipts, value added, intangible transaction, privilege or license or similar taxes), governmental assessments (including all assessments for public improvements or benefits, whether or not commenced or completed prior to the date hereof and whether or not commenced or completed within the term of this Agreement), water, sewer or other rents and charges, excises, levies, fees (including license, permit, inspection, authorization and similar fees), and all other governmental charges, in each case whether general or special, ordinary or extraordinary, or foreseen or unforeseen, of every character in respect of the Property and/or any Rents (including all interest and penalties thereon), which at any time prior to, during or in respect of the term hereof may be assessed or imposed on or in respect of or be a Lien upon (a) Borrower (including all income, franchise, single business or other taxes imposed on Borrower for the privilege of doing business in the jurisdiction in which the Property is located), (b) the Property, or any other collateral delivered or pledged to Lender in connection with the Loan, or any part thereof, or any Rents received therefrom or any estate, right, title or interest therein or (c) any occupancy, operation, use or possession of, or sales from, or activity conducted on, or in connection with the Property or the leasing or use of all or any part thereof. Nothing contained in this Agreement shall be construed to require Borrower to pay any tax, assessment, levy or charge imposed on (i) any Tenant, (ii) any third party manager of the Property, including any Manager or (iii) Lender in the nature of a capital levy, income, franchise, estate, inheritance, succession, excise, gains, income or net revenue or similar tax or any transfer tax imposed on Lender in connection with an assignment of the Loan pursuant to Article XV.

"Improvements" shall have the meaning set forth in the Security Instrument.

"Increased Costs" shall have the meaning set forth in Section 2.4.1.

"Indebtedness" shall mean, at any given time, the Principal Amount, together with all accrued and unpaid interest thereon and all other obligations and liabilities due or to become due to Lender pursuant hereto, under the Note or in accordance with the other Loan Documents and all other amounts, sums and expenses payable to Lender hereunder or pursuant to the Note or the other Loan Documents.

"Indemnified Parties" shall have the meaning set forth in Section 19.12(b).

"Independent" shall mean, when used with respect to any Person, a Person who (i) does not have any direct financial interest or any material indirect financial interest in Borrower or in any Affiliate of Borrower (other than in the case of a financial interest which is not an ownership interest, any creditor, supplier or customer set forth in clause (iii) below), (ii) is not connected with Borrower or any Affiliate of Borrower as an officer, employee, promoter, underwriter, trustee, partner, member, manager, director or person performing similar functions, (iii) is not a creditor, supplier or customer of Borrower or any Affiliate of Borrower where such relationship constitutes a material portion of the business of such creditor, supplier or customer and (iv) is not a member of the immediate family of a Person defined in (i) or (ii) above.

"Independent Accountant" shall mean Beck & Company, any of the so called "Big Four" accounting firms or another firm of nationally recognized, certified public accountants which is Independent and which is selected by Borrower and reasonably acceptable to Lender.

"Independent Architect" shall mean an architect, engineer or construction consultant selected by Borrower which is Independent, licensed to practice in the State (in the case of any architect or engineer or any other Person which is required to be so licensed) and has at least five (5) years of architectural, engineering or construction experience, as applicable.

"Independent Director", "Independent Manager", or "Independent Member" shall mean a Person who is not and will not be while serving as an Independent Director, Independent Manager or Independent Member, as applicable, and has never been (i) a member, manager, director, employee, attorney, or counsel of Borrower or its Affiliates (provided that Borrower and Mezzanine Borrower may not have the same Independent Directors, Independent Managers or Independent Members), (ii) a customer, supplier or other Person who derives more than one percent (1%) of its purchases or revenues from its activities with Borrower or its Affiliates (other than an Independent Director, Independent Manager or Independent Member, as applicable, provided by a corporate services company that provides Independent Directors, Independent Managers or Independent Members in the ordinary course of its business), (iii) a direct or indirect legal or beneficial owner in Borrower or any of its Affiliates (other than as an Independent Member), (iv) a member of the immediate family of any member, manager, employee, attorney, customer, supplier or other Person referred to above or (v) a person Controlling or under the common Control of anyone listed in (i) through (iv) above. Except as otherwise provided in the parenthetical to clause (i) above, a Person that otherwise satisfies the foregoing shall not be disqualified from serving as an Independent Director or Independent Manager or Independent Member if such individual is at the time of initial appointment, or at any time while serving as such, is an Independent Director or Independent Manager or Independent Member, as applicable, of a single purpose entity affiliated with Borrower.

"Insurance Requirements" shall mean, collectively, (i) all material terms of any insurance policy required pursuant to this Agreement and (ii) all material regulations and then current standards applicable to or affecting the Property or any part thereof or any use or condition thereof, which may, at any time when the Existing Citibank Lease is (A) in full force and effect, be required by the Board of Fire Underwriters, if any, having jurisdiction over the Property, or such other body exercising similar functions or (B) no longer in full force and effect, be recommended by the Board of Fire Underwriters, if any, having jurisdiction over the Property, or such other body exercising similar functions.

"Intangible" shall have the meaning set forth in the Security Instrument.

"Intercreditor Agreement" shall mean a customary intercreditor, recognition and standstill agreement between Lender and Mezzanine Lender in form and substance acceptable to Lender in its reasonable discretion.

"Interest Period" shall have the meaning set forth in the Note.

"Land" shall have the meaning set forth in the Security Instrument.

"Late Payment Charge" shall have the meaning set forth in Section 2.2.3.

"Lease" shall mean any lease, sublease or sub-sublease, letting, license, concession or other agreement (whether written or oral and whether now or hereafter in effect) pursuant to which any Person is granted by Borrower a possessory interest in, or right to use or occupy all or any portion of any space in the Property, and every modification, amendment or other agreement relating to such lease, sublease, sub-sublease, or other agreement entered into in connection with such lease, sublease, sub-sublease, or other agreement and every guarantee of the performance and observance of the covenants, conditions and agreements to be performed and observed by the other party thereto. The term "Lease" shall not include the Scheduled Leases unless and until the Citibank Lease shall no longer be in effect and such Scheduled Leases remain in existence thereafter and/or subsequent to the date hereof, such Scheduled Leases shall be deemed to be direct leases between Borrower and the tenants thereunder.

"Lease Modification" shall have the meaning set forth in Section 8.8.1.

"Leasehold Mortgagee" shall have the meaning set forth in the Citibank Lease.

"Leasing Commissions" shall have the meaning set forth in Section 16.1(b).

"Legal Requirements" shall mean all present and future laws, statutes, codes, ordinances, orders, judgments, decrees, injunctions, rules, regulations and requirements, and irrespective of the nature of the work to be done, of every Governmental Authority including, without limitation, Environmental Laws and all covenants, restrictions and conditions now or hereafter of record which may be applicable to Borrower or to the Property and the Improvements and the Building Equipment thereon, or to the use, manner of use, occupancy, possession, operation, maintenance, alteration, repair or reconstruction of the Property and the Improvements and the Building Equipment thereon including, without limitation, building and zoning codes and ordinances and laws relating to handicapped accessibility.

"Lender" shall have the meaning set forth in the first paragraph of this Agreement.

"Letter of Credit" shall mean an irrevocable, unconditional, transferable, clean sight draft letter of credit, in favor of Lender and entitling Lender to draw thereon in New York, New York, based solely on a statement executed by an officer or authorized signatory of Lender and issued by an Approved Bank (provided that solely for purposes of this definition, an Approved Bank may have a minimum long-term unsecured debt rating of at least "A" (rather than "AA" as set forth in the definition of "Approved Bank" in the Account Agreement). Such letter of credit shall either be (A) an evergreen letter of credit, (B) a letter of credit which does not expire until at least sixty (60) days after the Maturity Date (the "LC Expiration Date") or (C) a letter of credit with a term of at least one (1) year which is renewed by Borrower no later than forty-five (45) days prior to the expiration date thereof (it being agreed that in the event that Borrower fails to renew such letter of credit by the date which is ten (10) days prior to the expiration date thereof, then such failure shall be deemed to be an immediate Event of Default hereunder and Lender shall have the immediate right to draw down the same in full and hold the proceeds thereof in accordance with the provisions of this Agreement (and not apply the same except for the purposes for which Lender would have been permitted to draw on such Letter of Credit pursuant to the terms of the Loan Documents)). If at any time (a) the institution issuing any such Letter of Credit shall cease to be an Approved Bank or (b) the Letter of Credit is due to expire prior to the LC Expiration Date, Lender shall have the right immediately to draw down the same in full and hold the proceeds thereof in accordance with the provisions of this Agreement (and not apply the same except for the purposes for which Lender would have been permitted to draw on such Letter of Credit pursuant to the terms of the Loan Documents), unless Borrower shall deliver a replacement Letter of Credit from an Approved Bank within (i) as to (a) above, ten (10) days after Lender delivers written notice to Borrower that the institution issuing the Letter of Credit has ceased to be an Approved Bank or (ii) as to (b) above, at least ten (10) days prior to the expiration date of said Letter of Credit. At any time or from time to time, Borrower may substitute any existing Letter of Credit (or cash in lieu thereof) with a substitute Letter of Credit which complies with this definition.

"Liability" shall have the meaning set forth in Section 14.4.2(b).

"License" shall have the meaning set forth in Section 4.1.23.

"Lien" shall mean any mortgage, deed of trust, lien, pledge, hypothecation, assignment, security interest, or any other encumbrance or charge on or affecting Borrower, the Property, any portion thereof or any interest therein, including, without limitation, any conditional sale or other title retention agreement, any financing lease having substantially the same economic effect as any of the foregoing, the filing of any financing statement, and the filing of mechanic's, materialmen's and other similar liens and encumbrances.

"Liquidated Damages Amount" shall have the meaning set forth in the Note.

"Loan" shall mean the loan in the amount of Three Hundred and Fifteen Million Dollars ($315,000,000) made by Lender to Borrower pursuant to this Agreement.

"Loan Constant" shall mean a rate equal to 8.75% per annum.

"Loan Documents" shall mean, collectively, this Agreement, the Note, the Security Instrument, the Assignment of Leases, any Assignment of Management Agreement, the Account Agreement, the Recourse Guaranty, the Citibank SNDA and all other documents executed and delivered by Borrower in connection with the Loan, including any certifications or representations delivered by or on behalf of Borrower, any Affiliate of Borrower, any Manager, or any Affiliate of any Manager.

"Lockout Period" shall have the meaning set forth in the Note.

"Management Agreement" shall mean any management agreement pursuant to which the Manager is to provide management and other services with respect to the Property, as the same may be amended, restated, replaced, supplemented or otherwise modified from time to time to the extent permitted hereunder.

"Management Fee" shall mean an amount equal to the property management fee payable to the Manager pursuant to the terms of the Management Agreement for base management services.

"Manager" shall mean any Qualified Manager with which Borrower enters into a Management Agreement.

"Material Adverse Effect" shall mean any event or condition that has a material adverse effect on (i) the use, operation, or value of the Property, (ii) the business, profits, operations or financial condition of Borrower, or (iii) the ability of Borrower to repay the principal and interest of the Loan as it becomes due or to satisfy any of Borrower's material obligations under the Loan Documents.

"Material Alteration" shall mean, subject to the last two (2) sentences of Section 10.3, any Alteration which, when aggregated with all related Alterations (other than decorative work such as painting, wall papering and carpeting and the replacement of fixtures, furnishings and equipment to the extent being of a routine and recurring nature and performed in the ordinary course of business) constituting a single project, involves an estimated cost exceeding five percent (5%) of the Principal Amount with respect to such Alteration or related Alterations (including the Alteration in question) then being undertaken at the Property.

"Maturity Date" shall have the meaning set forth in the Note.

"Maturity Date Payment" shall have the meaning set forth in the Note.

"Maximum Legal Rate" shall mean the maximum non-usurious interest rate, if any, that at any time or from time to time may be contracted for, taken, reserved, charged or received on the indebtedness evidenced by the Note and as provided for herein or the other Loan Documents, under the laws of such state or states whose laws are held by any court of competent jurisdiction to govern the interest rate provisions of the Loan.

"Mezzanine Account" shall mean a "deposit account" (as such term is defined in Section 9-102(a)(29) of the UCC), if and when established with the Cash Management Bank for the benefit of any Mezzanine Lender for the collection of Excess Cash Flow.

"Mezzanine Borrower" shall mean any entity which possesses direct or indirect ownership interests in Borrower, where ownership interests are being pledged (where the pledging of such ownership interests is occurring in accordance with the terms of Article XIII, as opposed to a pledge that would otherwise be permitted under the terms of Article VIII), which entity shall be a Special Purpose Entity if required by the Rating Agencies.

"Mezzanine Lender" shall have the meaning set forth in Section 13.1.

"Mezzanine Loan" shall have the meaning set forth in Section 13.1.

"Mezzanine Loan Agreement" shall mean the loan agreement securing a Mezzanine Loan.

"Mezzanine Loan Documents" shall mean, collectively, the Mezzanine Note, the Mezzanine Loan Agreement and all other agreements, instruments or documents executed by Mezzanine Borrower evidencing, securing or delivered in connection with the Mezzanine Loan and the transactions contemplated thereby, including, without limitation, officer's certificates.

"Mezzanine Note" shall mean the note or notes evidencing a Mezzanine Loan.

"Monetary Default" shall mean a Default (i) that can be cured with the payment of money or (ii) arising pursuant to Section 17.1(a)(vi) or (vii).

"Moody's" shall mean Moody's Investors Service, Inc.

"Net Cash Flow" shall mean the amount obtained by subtracting from annualized Operating Income from the Property for the month in which the applicable calculation date occurs (based on a 365-day calendar year) the following amounts: (i) the aggregate amount of all Operating Expenses for the Property for the twelve (12) month period immediately succeeding the applicable calculation date (other than Capital Expenditures and TI and Leasing Costs for the Property during such twelve (12) month period); and (ii) an amount equal to normalized Capital Expenditures and TI and Leasing Costs to be incurred by Borrower for the twelve (12) month period immediately succeeding the applicable calculation date.

"Net Operating Income" shall mean the amount obtained by subtracting Operating Expenses from Operating Income.

"New Lease" shall have the meaning set forth in Section 8.8.1.

"Non-Consolidation Opinion" shall mean an opinion substantially in compliance with the requirements set forth in Exhibit E or in such other form reasonably approved by Lender or, if a Securitization has occurred, approved by the Rating Agencies.

"Non-Disturbance Agreement" shall have the meaning set forth in Section 8.8.9.

"Note" shall mean that certain Note in the principal amount of Three Hundred and Fifteen Million Dollars ($315,000,000), made by Borrower in favor of Lender as of the date hereof, as the same may be amended, restated, replaced, supplemented or otherwise modified from time to time.

"Notes" shall mean, collectively, the Note and the Mezzanine Note.

"Obligations" shall have meaning set forth in the recitals of the Security Instrument.

"OFAC" List means the list of specially designated nationals and blocked persons subject to financial sanctions that is maintained by the U.S. Treasury Department, Office of Foreign Assets Control and accessible through the internet website www.treas.gov/ofac/t11sdn.pdf.

"Officer's Certificate" shall mean a certificate executed on behalf of Borrower by an authorized signatory of Borrower that is familiar with the financial condition of Borrower and/or the operation of the Property, as applicable.

"Operating Asset" shall have the meaning set forth in the Security Instrument.

"Operating Company" shall mean any Person whose assets, other than direct or indirect interests in the Property, represent more than seventy percent (70%) of the net equity value of such Person, as determined in good faith by the board of directors or board of managers (or the equivalent governing body of such Person), provided that in connection with such determination, such board (or other governing body) shall provide reasonable backup documentation relating to its determination to Lender and, if a Securitization has occurred, the Rating Agencies.

"Operating Expense Reserve Account" shall have the meaning set forth in Section 3.1.1(c).

"Operating Expenses" shall mean, for any period, without duplication, all expenses actually paid or payable by Borrower during such period in connection with the operation, management, maintenance, repair and use of the Property, determined on an accrual basis, and, except to the extent otherwise provided in this definition, in accordance with GAAP. Operating Expenses specifically shall include (i) all expenses incurred in the immediately preceding twelve (12) month period based on quarterly financial statements delivered to Lender in accordance with Article XI, (ii) all payments required to be made pursuant to any REAs, (iii) property management fees in an amount equal to the greater of four percent (4%) of Operating Income and the management fees actually paid under the Management Agreement, (iv) administrative, payroll, security and general expenses for the Property, (v) the cost of utilities, inventories and fixed asset supplies consumed in the operation of the Property, (vi) a reasonable reserve for uncollectible accounts, (vii) costs and fees of independent professionals (including, without limitation, legal, accounting, consultants and other professional expenses), technical consultants, operational experts (including quality assurance inspectors) or other third parties retained to perform services required or permitted hereunder, (viii) cost of attendance by employees at training and manpower development programs, (ix) association dues, (x) computer processing charges, (xi) operational equipment and other lease payments as reasonably approved by Lender, (xii) taxes and other Impositions, other than income or franchise taxes or other Impositions in the nature of income or franchise taxes, and insurance premiums and (xiii) all underwritten reserves required by Lender hereunder (without duplication). Notwithstanding the foregoing, Operating Expenses shall not include (1) depreciation or amortization or other non-cash expenses (without taking into account Lender's underwriting adjustments), (2) income taxes or other Impositions in the nature of income taxes, (3) any expenses (including legal, accounting and other professional fees, expenses and disbursements) incurred in connection with the making of the Loan or the sale, exchange, transfer, financing or refinancing of all or any portion of the Property or in connection with the recovery of Proceeds which are applied to prepay the Note, (4) any expenses which in accordance with GAAP should be capitalized, (5) Debt Service, late charges and default interest under the Loan or Lender's administrative fees imposed on Borrower under the Loan Documents, and (6) any item of expense which would otherwise be considered within Operating Expenses pursuant to the provisions above but is paid directly by any Tenant.

"Operating Income" shall mean, for any period, all income of Borrower during such period from the use, ownership or operation of the Property as follows:

(a) all amounts payable to Borrower by any Person as Rent and other amounts under Leases, license agreements, occupancy agreements, concession agreements or other agreements relating to the Property;

(b) business interruption insurance proceeds allocable to the applicable reporting period; and

(c) all other amounts which in accordance with GAAP are included in Borrower's annual financial statements as operating income attributable to the Property.

Notwithstanding the foregoing, Operating Income shall not include (a) any Proceeds (other than business interruption insurance proceeds and only to the extent allocable to the applicable reporting period), (b) any proceeds resulting from the direct or indirect Transfer of all or any portion of the Property, (c) any Rent attributable to a Lease prior to the date in which the Tenant thereunder has taken occupancy or in which the actual payment of rent is required to commence thereunder, (d) any item of income otherwise included in Operating Income but paid directly by any Tenant to a Person other than Borrower as an offset or deduction against Rent payable by such Tenant, provided such item of income is for payment of an item of expense (such as payments for utilities paid directly to a utility company) and such expense is otherwise excluded from the definition of Operating Expenses pursuant to clause "(6)" of the definition thereof and (e) Security Deposits received from Tenants until forfeited or applied. Operating Income shall be calculated on the accrual basis of accounting and, except to the extent otherwise provided in this definition, in accordance with GAAP.

"Opinion of Counsel" shall mean an opinion of counsel (in customary form and taking into account customary assumptions and exclusions) of a law firm selected by Borrower and reasonably acceptable to Lender.

"Other Charges" shall mean maintenance charges, impositions other than Impositions, and any other charges, including, without limitation, vault charges and license fees for the use of vaults, chutes and similar areas adjoining the Property, now or hereafter levied or assessed or imposed against the Property or any part thereof by any Governmental Authority, other than those required to be paid by a tenant pursuant to its respective Lease.

"Other Taxes" shall have the meaning set forth in Section 2.4.3.

"Payment Date" shall have the meaning set forth in the Note.

"Permitted Debt" shall mean, collectively, (a) the Note and the other obligations, indebtedness and liabilities specifically provided for in any Loan Document, (b) trade payables incurred in the ordinary course of Borrower's business, not secured by Liens on the Property (other than liens being properly contested in accordance with the provisions of this Agreement or the Security Instrument), not to exceed three percent (3%) of the Principal Amount at any one time outstanding, payable by or on behalf of Borrower for or in respect of the operation of the Property in the ordinary course of operating Borrower's business, provided that (but subject to the remaining terms of this definition) each such amount shall be paid within sixty (60) days following the date on which each such amount is incurred, (c) Borrower's obligations as landlord under any Leases (including the provision of funds to a Tenant for the purpose of funding such Tenant's improvements, moving expenses, furnishings or installations or certain of its costs incurred in connection with such Tenant's leasing of space at the Property, notwithstanding that such Tenant's Lease (or related documentation) requires repayment of such funding), (d) Debt for

which a Rating Agency Confirmation is obtained, (e) Permitted Encumbrances which constitute Debt, and (f) unsecured debt incurred by Borrower in the ordinary course of its business of owning and operating the Property, provided that unsecured debt described in this clause (f): (A) is not secured or evidenced by a Note; and (B) does not exceed in the aggregate an amount equal to Five Hundred Thousand Dollars ($500,000). Nothing contained herein shall be deemed to require Borrower to pay any amount, so long as Borrower is in good faith, and, if applicable, by proper legal proceedings, contesting the validity, amount or application thereof, provided that in each case, at the time of the commencement of any such action or proceeding, and during the pendency of such action or proceeding (i) no Event of Default shall exist and be continuing hereunder, (ii) adequate reserves with respect thereto are maintained on the books of Borrower in accordance with GAAP (as determined by the Independent Accountant), and (iii) such contest operates to suspend collection or enforcement, as the case may be, of the contested amount (unless such contest would not, in Lender's reasonable judgment, result at any time in the Property or any portion thereof being in imminent danger of being forfeited or lost or result in Lender being likely to be subject to civil or criminal damages as a result thereof) and such contest is maintained and prosecuted continuously and with reasonable diligence. Notwithstanding anything set forth herein, in no event shall Borrower be permitted under this provision to enter into a note (other than the Note and the other Loan Documents) or other instrument for borrowed money.

"Permitted Encumbrances" shall mean, collectively, (a) the Liens and security interests created or permitted by the Loan Documents (including, without limitation, pursuant to Section 8.3 hereof), (b) all Liens, encumbrances and other matters disclosed in the Title Policy, (c) Liens, if any, for Impositions imposed by any Governmental Authority not yet delinquent, (d) the Citibank Lease, the Scheduled Leases and any other Lease permitted to be entered into by Borrower in accordance with the terms hereof and any Person claiming by, through or under any such leasehold estate, provided that if Lender's consent shall be required under Section 8.8.11 for any sublease or sub-sublease, then Lender shall have consented thereto, (e) the Liens of any Leasehold Mortgagees on the leasehold estate created under the Citibank Lease, (f) any Non-Disturbance Agreement or non-disturbance agreement entered into by Landlord with respect to any sublease, provided that if Lender's consent shall be required under Section 8.8.11 for such sublease, then Lender shall have consented thereto, (g) Liens evidenced by financing statements filed in connection with equipment leases or equipment financing which otherwise constitutes Permitted Debt hereunder, (h) the Liens, encumbrances and other matters set forth on Schedule VI attached hereto and (i) any other Lien consented to by Lender in its sole discretion or for which a Rating Agency Confirmation is obtained.

"Permitted Investments" shall have the meaning set forth in the Account Agreement.

"Permitted Owner" shall mean any one of the following:

(A) Guarantor and its permitted successors;

(B) Sponsor and its permitted successors;

(C) a Reckson sponsored Australian limited property trust, provided that (i) upon any direct or indirect Transfer of interests in Borrower to such trust, such trust will have gross assets, directly or indirectly, with a value not less than $350 million (provided that not more than fifty percent (50%) of such value shall be attributable to the Property) and a net equity not less than $150 million and (ii) Guarantor and/or Sponsor shall at all times Control the manager of such trust and, directly or indirectly, the decision-making (subject to the right of other owners to participate in significant management decisions) of such trust;

(D) any of (i) Citibank, (ii) any Person which is a successor to Citibank by merger, consolidation or reorganization and (iii) a purchaser of all or substantially all of the assets of Citibank;

(E) a bank, investment bank, insurance company, commercial credit corporation, pension plan, pension fund, pension advisory firm, mutual fund, government plan, real estate company, investment fund or an institution substantially similar to any of the foregoing that, together with its Affiliates, (x) has total assets (in name or under management) in excess of $1 billion (calculated exclusive of the Property) and capital/statutory surplus or shareholder's equity in excess of $500 million (calculated exclusive of the Property) and (y) is regularly engaged in the business of owning, operating and/or managing interests (either directly or through funds under management) in at least five (5) office properties containing in the aggregate at least one million five hundred thousand (1,500,000) rentable square feet (calculated exclusive of the Property);

(F) any Person who is listed on Schedule IV attached hereto; or

(G) any Person with respect to whom a Rating Agency Confirmation is received.

"Person" shall mean any individual, corporation, partnership, joint venture, limited liability company, estate, trust, unincorporated association, any federal, state, county or municipal government or any bureau, department or agency thereof and any fiduciary acting in such capacity on behalf of any of the foregoing.

"Personal Property" shall have the meaning set forth in the granting clause of the Security Instrument.

"Physical Conditions Report" shall mean the structural engineering report with respect to the Property (i) prepared by an Independent Architect, (ii) addressed to Lender, (iii) prepared based on a scope of work determined by Lender in Lender's reasonable discretion, and (iv) in form and content acceptable to Lender in Lender's reasonable discretion, together with any amendments or supplements thereto. Lender acknowledges that the report dated June 20, 2005 from LandAmerica Commercial Services shall qualify as the Physical Conditions Report.

"Plan" shall have the meaning set forth in Section 4.1.10.

"Preconditions" shall mean that with respect to any Lease, the Tenant thereunder has (i) taken possession of its demised space and (ii) begun to pay regular installments of Rent (which shall not include the payment by Tenant to Borrower of the first month's installment of rent upon a Tenant's execution of a Lease) and that all free rent periods have expired, as certified to Lender by Borrower pursuant to an Officer's Certificate.

"Prepayment Amounts" shall have the meaning set forth in Section 3.1.1(b).

"Prepayment Notice" shall have the meaning set forth in the Note.

"Prepayment Reserve Account" shall have the meaning set forth in Section 3.1.1(b).

"Principal Amount" shall have the meaning set forth in the Note.

"Proceeds" shall have the meaning set forth in Section 6.2.2.

"Proceeds Reserve Account" shall have the meaning set forth in Section 3.1.1(d).

"Prohibited Person" means any Person identified on the OFAC List or any other Person with whom a U.S. Person may not conduct business or transactions by prohibition of Federal law or Executive Order of the President of the United States or America.

"Property" shall have the meaning set forth in the Security Instrument.

"Provided Information" shall have the meaning set forth in Section 14.1.1.

"Public Reporting Entity" shall mean (i) a Person (other than an individual) required by the Exchange Act to file periodic reports with the Securities and Exchange Commission and (ii) for so long as Reckson Operating Partnership, L.P. files periodic reports under the Exchange Act with the Securities and Exchange Commission, Reckson Operating Partnership, L.P.

"PZR Report" shall mean that certain Zoning and Site Requirements Summary from The Planning & Zoning Resource Corporation, PZR Site Number 41902, dated July 29, 2005.

"Qualified Manager" shall mean (i) a reputable and experienced management organization which together with its Affiliates manages a minimum of 2,000,000 square feet of Class A or Class B (and any combination thereof) office space located in major United States cities, provided that (a) prior to a Securitization, Borrower shall have obtained the prior written consent of Lender for such Person, which consent shall not be unreasonably withheld or delayed and (b) after a Securitization, in addition to Lender's consent, which consent shall not be unreasonably withheld or delayed, Borrower shall have obtained a Rating Agency Confirmation or (ii) any other manager as Lender shall approve in its sole and absolute discretion. Notwithstanding the foregoing, Lender hereby approves each of RANY Management Group, Inc. a Delaware corporation, and any Person directly or indirectly Controlled by Sponsor as a Qualified Manager hereunder.

"Qualified Successor Borrower" shall mean any Single Purpose Entity that is Controlled by one or more Permitted Owners.

"Rating Agencies" shall mean (a) prior to a Securitization, each of S&P, Moody's and Fitch and any other nationally-recognized statistical rating agency which has been approved by Lender and (b) after a Securitization has occurred, each such Rating Agency which has rated the Securities in the Securitization.

"Rating Agency Confirmation" shall mean, collectively, a written affirmation from each of the Rating Agencies that the credit rating of the Securities given by such Rating Agency immediately prior to the occurrence of the event with respect to which such Rating Agency Confirmation is sought will not be qualified, downgraded or withdrawn as a result of the occurrence of such event, which affirmation may be granted or withheld in such Rating Agency's sole and absolute discretion. In the event that, at any given time, no such Securities shall have been issued and are then outstanding, then the term Rating Agency Confirmation shall be deemed instead to require the written approval of Lender based on its good faith determination of whether the Rating Agencies would issue a Rating Agency Confirmation if any such Securities were outstanding.

"REAs" shall mean, collectively, as the same may be amended, restated, supplemented or otherwise modified from time to time, those certain agreements more specifically described on Schedule I.

"Real Property" shall mean, collectively, the Land, the Improvements and the Appurtenances (as defined in the Security Instrument).

"Recourse Guaranty" shall mean that certain Guaranty of Recourse Obligations of Borrower, dated as of the date hereof, by Guarantor in favor of Lender, as the same may be amended, supplemented, restated or otherwise modified from time to time.

"Register" shall have the meaning set forth in Section 15.4.

"Regulatory Change" shall mean any change after the date of this Agreement in federal, state or foreign laws or regulations or the adoption or the making, after such date, of any interpretations, directives or requests applying to Lender, or any Person Controlling Lender or to a class of banks or companies Controlling banks of or under any federal, state or foreign laws or regulations (whether or not having the force of law) by any court or Governmental Authority or monetary authority charged with the interpretation or administration thereof.

"Rents" shall mean all rents, rent equivalents, moneys payable as damages or in lieu of rent or rent equivalents, royalties (including, without limitation, all oil and gas or other mineral royalties and bonuses), income, receivables, receipts, revenues, deposits (including, without limitation, security, utility and other deposits), accounts, cash, issues, profits, charges for services rendered, and other consideration of whatever form or nature received by or paid to or for the account of or benefit of Borrower from any and all sources arising from or attributable to the Property and Proceeds, if any, from business interruption or other loss of income insurance.

"Reserve Period " shall have the meaning set forth in the Account Agreement.

"S&P" shall mean Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc.

"Scheduled Leases" shall meant the leases listed on Schedule V attached hereto.

"Securities" shall have the meaning set forth in Section 14.1.

"Securities Act" shall have the meaning set forth in Section 14.4.1.

"Securitization" shall have the meaning set forth in Section 14.1.

"Security Deposits" shall have the meaning set forth in Section 8.8.5.

"Security Instrument" shall mean that certain first priority Mortgage, Security Agreement, Financing Statement, Fixture Filing and Assignment of Leases, Rents and Security Deposits, dated the date hereof, executed and delivered by Borrower to Lender and encumbering the Property, as the same may be amended, restated, replaced, supplemented or otherwise modified from time to time.

"Servicer" shall mean such Person designated in writing with an address for such Person by Lender, in its sole discretion, to act as Lender's agent hereunder with such powers as are specifically delegated to the Servicer by Lender, whether pursuant to the terms of this Agreement, the Account Agreement or otherwise, together with such other powers as are reasonably incidental thereto.

"Single Purpose Entity" shall mean a Person, other than an individual, which (i) is formed or organized solely for Borrower's Business Purpose or, in the case of any Single Purpose Entity other than Borrower, for the purpose of owning, holding or financing (or otherwise acting with respect to) a direct or indirect interest in Borrower, as applicable, (ii) does not engage in any business unrelated to Borrower's Business Purpose or, in the case of any Single Purpose Entity other than Borrower, the ownership, holding or financing of a direct or indirect interest in Borrower, as applicable (or otherwise acting with respect thereto), (iii) has not and will not have any Debt other than the Permitted Debt or the Mezzanine Loan, in the case of a Mezzanine Borrower (if this definition is applicable), or any assets other than those related to Borrower's Business Purpose or, in the case of any Single Purpose Entity other than Borrower, the ownership, holding or financing of a direct or indirect interest in Borrower, as applicable (or otherwise acting with respect thereto), (iv) maintains its own separate books and records and its own accounts, in each case which are separate and apart from the books and records and accounts of any other Person (it being acknowledged that the maintenance of such Person's books, records or accounts on such Person's behalf by a manager who holds itself out as such Person's agent shall not contradict this clause (iv)), (v) holds itself out as being a Person, separate and apart from any other Person, (vi) does not and will not commingle its funds or assets with those of any other Person, (vii) conducts its own business in its own name and will not identify its partners, members or shareholders, as applicable, or any Affiliates of any of them, as a division or part of it; (viii) maintains separate financial statements (provided that such Person may also file consolidated tax and financial statements if required by applicable local, state or federal tax law or other applicable law or GAAP), (ix) pays its own liabilities out of its own funds (it being acknowledged that the payment by the Citibank Tenant of operating expenses and taxes with respect to the Property pursuant to the Existing Citibank Lease does not contradict this clause (ix)), (x) observes all partnership, corporate or limited liability company formalities, as applicable, (xi) pays the salaries of its own employees, if any, and maintains (or requires its management company to maintain) a sufficient number of employees, if any, in light of its contemplated business operations, (xii) does not guarantee, assume, pay (other than in connection with Borrower's Business Purpose) or otherwise obligate itself with respect to the

debts or obligations (other than customary indemnities in connection with Borrower's Business Purpose) of any other Person or hold out its credit as being available to satisfy the obligations of any other Person, (xiii) does not acquire obligations or securities of its partners, members or shareholders, (xiv) allocates fairly and reasonably shared expenses, including, without limitation, any overhead for shared office space, if any, (xv) uses separate stationary, invoices, and checks, (xvi) maintains an arms-length relationship with its Affiliates, (xvii) does not and will not pledge its assets for the benefit of any other Person or make any loans or advances to any other Person (it being acknowledged that the provision of funds to a Tenant for the purpose of funding such Tenant's improvements, moving expenses, furnishings or installations or certain of its costs incurred in connection with such Tenant's leasing of space at the Property does not contradict this clause (xvii), notwithstanding that such Tenant's Lease (or related documentation) requires repayment of such funding), (xviii) does and will continue to use commercially reasonable efforts to correct any known misunderstanding regarding its separate identity, (xix) maintains adequate capital in light of its contemplated business operations, and (xx) to the fullest extent permitted by law, has not and will not engage in, seek, or consent to the dissolution, winding up, liquidation, consolidation or merger and except as otherwise permitted in this Agreement (including pursuant to Article VIII), has not and will not engage in, seek or consent to any asset sale or transfer of partnership, membership or shareholder interests, or amendments of its partnership or operating agreement, certificate of incorporation, articles of organization or other organizational document with respect to those provisions required in order to qualify as a Single Purpose Entity and/or where the consent of Lender and/or its Independent Directors, Independent Managers or Independent Members is required. In addition, if such Person is a partnership, (1) all general partners of such Person shall be Single Purpose Entities; and (2) if such Person has more than one general partner, then the organizational documents shall provide that such Person shall continue (and not dissolve) for so long as a solvent general partner exists. In addition, if such Person is a corporation, then, at all times: (a) such Person shall have at least two (2) Independent Directors and (b) the board of directors of such Person may not take any action requiring the unanimous affirmative vote of 100% of the members of the board of directors unless all of the directors, including the Independent Directors, shall have participated in such vote. In addition, if such Person is a limited liability company, (a) such Person shall have at least two (2) Independent Managers or Independent Members, (b) if such Person is managed by a board of managers, the board of managers of such Person may not take any action requiring the unanimous affirmative vote of 100% of the members of the board of managers unless all of the managers, including the Independent Managers, shall have participated in such vote, (c) if such Person is not managed by a board of managers, the members of such Person may not take any action requiring the affirmative vote of 100% of the members of such Person unless all of the members, including the Independent Members, shall have participated in such vote, (d) each managing member shall be a Single Purpose Entity, unless such Person has two (2) Independent Managers who are springing members or two (2) non-economic Independent Members and (e) its articles of organization, certificate of formation and/or operating agreement, as applicable, shall provide that until all of the outstanding Indebtedness has been paid in full or otherwise fully satisfied, released or assigned in accordance with Section 2.3.3 or 9.1, as applicable (or such entity has transferred its interest in the Property to a new borrower in accordance with Article VIII), such entity will not dissolve. In addition, the organizational documents of such Person shall provide that, unless Lender otherwise consents, until all of the outstanding Indebtedness has been paid in full or otherwise fully satisfied, released or assigned in accordance with Section

2.3.3 or 9.1, as applicable (or such entity has transferred its interest in the Property to a new borrower in accordance with Article VIII), such Person (1) without the unanimous consent of all of the partners, directors or members, as applicable, shall not with respect to itself or to any other Person in which it has a direct or indirect legal or beneficial interest (a) seek or consent to the appointment of a receiver, liquidator, assignee, trustee, sequestrator, custodian or other similar official for the benefit of the creditors of such Person or all or any portion of such Person's properties, or (b) take any action that is reasonably anticipated to cause such Person to become insolvent, petition or otherwise institute insolvency proceedings or otherwise seek any relief under any laws relating to the relief from debts or the protection of debtors generally, (2) will hold its assets in its own name, (3) will maintain its financial statements (provided that such Person may also file consolidated tax and financial statements if required by applicable local, state or federal tax law or other applicable law or GAAP), books and records separate and apart from any other Person, (4) will not identify its partners, members or shareholders, or any affiliates of any of them as a division or part of it, and (5) will maintain an arms-length relationship with its partners, members, shareholders and other Affiliates such that it will not enter into or be a party to any transaction with any of its partners, members, shareholders or other Affiliates except in the ordinary course of business and on terms which are intrinsically fair and are no less favorable to it than would be obtained in a comparable arms-length transaction with a third party.

"Sole Member" shall mean One Court Square Holdings, LLC, a Delaware limited liability company.

"Special Taxes" shall mean any and all present or future taxes, levies, imposts, deductions, charges or withholdings, or any liabilities with respect thereto, including those arising after the date hereof as result of the adoption of or any change in law, treaty, rule, regulation, guideline or determination of a Governmental Authority or any change in the interpretation or application thereof by a Governmental Authority but excluding, in the case of Lender, such taxes (including income taxes, franchise taxes and branch profit taxes) as are imposed on or measured by Lender's net income by the United States of America or any Governmental Authority of the jurisdiction under the laws under which Lender is organized or maintains a lending office.

"SPE Entity" shall mean Borrower and any other Person which is required by this Agreement to be, as long as the Loan is outstanding, a Single Purpose Entity.

"Standard Form of Lease" shall have the meaning set forth in Section 8.8.2(a).

"State" shall mean the State in which the Property or any part thereof is located.

"Sub-Account(s)" shall have the meaning set forth in Section 3.1.1.

"Substitute Borrower" shall have the meaning set forth in Section 9.1(a)(iii).

"Survey" shall mean a survey of the Property prepared by a surveyor licensed in the State and satisfactory to Lender and the company or companies issuing the Title Policy, and containing a certification of such surveyor reasonably satisfactory to Lender.

"Taking" shall mean a temporary or permanent taking by any Governmental Authority as the result or in lieu or in anticipation of the exercise of the right of condemnation or eminent domain, of all or any part of the Property, or any interest therein or right accruing thereto, including any right of access thereto or any change of grade affecting the Property or any part thereof.

"Tenant" shall mean any Person leasing, subleasing or otherwise occupying any portion of the Property, other than any Manager and its employees, agents and assigns.

"Threshold Amount" shall mean an amount equal to five percent (5%) of the Principal Amount.

"TI and Leasing Costs" shall have the meaning set forth in Section 16.1(b).

"TI and Leasing Reserve Account" shall have the meaning set forth in Section 3.1.1(a).

"TI and Leasing Reserve Amount" shall have the meaning set forth in Section 16.1(a).

"TI Work " shall have the meaning set forth in Section 16.1(b).

"Title Company" shall mean First American Title Insurance Company.

"Title Policy" shall mean an ALTA mortgagee title insurance policy in a form acceptable to Lender (or, if the Property is in a State which does not permit the issuance of such ALTA policy, such form as shall be permitted in such State and acceptable to Lender) issued by the Title Company with respect to the Property and insuring the lien of the Security Instrument.

"Total Loss" shall mean (i) a casualty, damage or destruction of the Property which, in the reasonable judgment of Lender, (A) involves an actual or constructive loss of more than twenty-five percent (25%) of the lesser of (x) the fair market value of the Property or (y) the Principal Amount, or (B) results in the cancellation of leases comprising more than twenty-five percent (25%) of the rentable area of the Property, and in either case with respect to which Borrower is not required under the Leases to apply Proceeds to the restoration of the Property or (ii) a permanent Taking which, in the reasonable judgment of Lender, (A) involves an actual or constructive loss of more than fifteen percent (15%) of the lesser of (x) the fair market value of the Property or (y) the Principal Amount, or (B) renders untenantable more than fifteen percent (15%) of the rentable area of the Property, or (iii) a casualty, damage, destruction or Taking that affects so much of the Property such that it would be impracticable, in Lender's reasonable discretion, even after restoration, to operate the Property as an economically viable whole.

"Transfer" shall mean to sell, assign, convey, mortgage, transfer, pledge, hypothecate, encumber, grant a security interest in, exchange or otherwise dispose of any beneficial interest or grant any option or warrant with respect to, or where used as a noun, a sale, assignment, conveyance, transfer, pledge or other disposition of any beneficial interest by any means whatsoever whether voluntary, involuntary, by operation of law or otherwise.

"UCC" or "Uniform Commercial Code" shall mean the Uniform Commercial Code as in effect in the State.

"Underwriter Group" shall have the meaning set forth in Section 14.4.2(b).

"U.S. Government Obligations" shall mean any direct obligations of, or obligations guaranteed as to principal and interest by, the United States Government or any agency or instrumentality thereof, provided that such obligations are backed by the full faith and credit of the United States. Any such obligation must be limited to instruments that have a predetermined fixed dollar amount of principal due at maturity that cannot vary or change. If any such obligation is rated by S&P, it shall not have an "r" highlighter affixed to its rating. Interest must be fixed or tied to a single interest rate index plus a single fixed spread (if any), and move proportionately with said index. U.S. Government Obligations include, but are not limited to: U.S. Treasury direct or fully guaranteed obligations, Farmers Home Administration certificates of beneficial ownership, General Services Administration participation certificates, U.S. Maritime Administration guaranteed Title XI financing, Small Business Administration guaranteed participation certificates or guaranteed pool certificates, U.S. Department of Housing and Urban Development local authority bonds, and Washington Metropolitan Area Transit Authority guaranteed transit bonds. In no event shall any such obligation have a maturity in excess of 365 days.

"U.S. Publicly-Traded Entity" shall mean a Person (other than an individual) whose securities are listed on a national securities exchange, or quoted on an automated quotation system, in the United States, or a wholly-owned subsidiary of such a Person.

"Work" shall have the meaning provided in Section 6.2.4(a).

"Yield Maintenance Premium" shall have the meaning set forth in the Note.

1.2 Principles of Construction. All references to sections and schedules are to sections and schedules in or to this Agreement unless otherwise specified. All accounting terms not specifically defined herein shall be construed in accordance with GAAP. When used herein, the term "financial statements" shall include the notes and schedules thereto. Unless otherwise specified herein or therein, all terms defined in this Agreement shall have the definitions given them in this Agreement when used in any other Loan Document or in any certificate or other document made or delivered pursuant thereto. All uses of the word "including" shall mean including, without limitation unless the context shall indicate otherwise. Unless otherwise specified, the words hereof, herein and hereunder and words of similar import when used in this Agreement shall refer to this Agreement as a whole and not to any particular provision of this Agreement. Unless otherwise specified, all meanings attributed to defined terms herein shall be equally applicable to both the singular and plural forms of the terms so defined.

II. GENERAL TERMS

2.1 Loan; Disbursement to Borrower.

2.1.1 The Loan. Subject to and upon the terms and conditions set forth herein, Lender hereby agrees to make and Borrower hereby agrees to accept the Loan on the Closing Date.

2.1.2 Disbursement to Borrower. Borrower may request and receive only one borrowing hereunder in respect of the Loan and any amount borrowed and repaid hereunder in respect of the Loan may not be reborrowed. Borrower acknowledges and agrees that the full proceeds of the Loan have been disbursed by Lender to Borrower on the Closing Date.

2.1.3 The Note, Security Instrument and Loan Documents. The Loan shall be evidenced by the Note and secured by the Security Instrument, the Assignment of Leases, this Agreement and the other Loan Documents.

2.1.4 Use of Proceeds. Borrower shall use the proceeds of the Loan to (a) pay costs and expenses incurred in connection with the closing of the Loan and (b) distribute the balance, if any, to Borrower for other company purposes and/or to make distributions to its members.

2.2 Interest; Loan Payments; Late Payment Charge.

2.2.1 Payment of Principal and Interest.

(i) Except as set forth in Section 2.2.1(ii), interest shall accrue on the Principal Amount as set forth in the Note.

(ii) Upon the occurrence and during the continuance of an Event of Default and from and after the Maturity Date if the entire Principal Amount is not repaid on the Maturity Date, interest on the outstanding principal balance of the Loan and, to the extent permitted by law, overdue interest and other amounts due in respect of the Loan shall accrue at the Default Rate calculated from the date such payment was due without regard to any grace or cure periods contained herein (it being agreed, however, that no such Default Rate interest shall be payable if Borrower shall pay the amount due within five (5) Business Days after such amount is due). Interest at the Default Rate shall be computed from the occurrence of the Event of Default until the actual receipt and collection of the Indebtedness (or that portion thereof that is then due). This Section 2.2.1(ii) shall not be construed as an agreement or privilege to extend the date of the payment of the Indebtedness, nor as a waiver of any other right or remedy accruing to Lender by reason of the occurrence of any Event of Default, and Lender retains its rights under the Note to accelerate and to continue to demand payment of the Indebtedness upon the happening of any Event of Default.

2.2.2 Method and Place of Payment.

(a) On each Payment Date, Borrower shall pay to Lender interest accruing pursuant to the Note for the entire Interest Period immediately preceding such Payment Date.

(b) All amounts advanced by Lender pursuant to the applicable provisions of the Loan Documents, other than the Principal Amount, together with any interest at the Default Rate or other charges as provided therein, shall be due and payable hereunder as provided in the Loan Documents. In the event any such advance is not so repaid by Borrower, Lender may, at its option, first apply any payments received under the Note to repay such advances, together with any interest thereon or other charges with respect to such advances as provided herein or in any of the other Loan Documents, and the balance, if any, shall be applied in payment of any installment of interest or principal then due and payable.

(c) The Maturity Date Payment shall be due and payable in full on the Maturity Date.

(d) From and after the Anticipated Repayment Date, unless the Indebtedness has been repaid in full, (i) all Excess Cash Flow shall be applied on each Payment Date as a partial prepayment of the outstanding principal Indebtedness, as set forth in Section 3.1.6(a)(ii) and (ii) Lender may draw down on any of the Collateral Letters of Credit (unless Lender defaulted in timely returning the same to Borrower in accordance with the terms hereof) and apply the same on each Payment Date as a partial prepayment of the outstanding principal Indebtedness, as set forth in Section 16.2.

2.2.3 Late Payment Charge. If any interest or any other sums due under the Loan Documents (other than the outstanding Principal Amount) is not paid by Borrower on or prior to the date which is five (5) Business Days after such amount is due, Borrower shall pay to Lender upon demand an amount equal to the lesser of (i) four percent (4%) of such unpaid sum or (ii) the Maximum Legal Rate (the "Late Payment Charge") in order to defray the expense incurred by Lender in handling and processing such delinquent payment and to compensate Lender for the loss of the use of such delinquent payment. Any such amount shall be secured by this Agreement, the Security Instrument and the other Loan Documents to the extent permitted by applicable law, subject to Section 13(a) of the Security Instrument and Section 8(p) of the Assignment of Leases.

2.2.4 Usury Savings. This Agreement and the Note are subject to the express condition that at no time shall Borrower be obligated or required to pay interest on the principal balance of the Loan at a rate which could subject Lender to either civil or criminal liability as a result of being in excess of the Maximum Legal Rate. If, by the terms of this Agreement or the other Loan Documents, Borrower is at any time required or obligated to pay interest on the principal balance due under the Note at a rate in excess of the Maximum Legal Rate, then the Default Rate shall be deemed to be immediately reduced to the Maximum Legal Rate and all previous payments in excess of the Maximum Legal Rate shall be deemed to have been payments in reduction of principal and not on account of the interest due under the Note. All sums paid or agreed to be paid to Lender for the use, forbearance, or detention of the sums due under the Loan, shall, to the extent permitted by applicable law, be amortized, prorated, allocated, and spread throughout the full stated term of the Loan until payment in full so that the rate or amount of interest on account of the Loan does not exceed the Maximum Legal Rate of interest from time to time in effect and applicable to the Loan for so long as the Loan is outstanding.

2.3 Prepayments.

2.3.1 Prepayments. No prepayments of the Indebtedness shall be permitted except as set forth in Section 4 of the Note.

2.3.2 Prepayments After Event of Default. If, following an Event of Default, Lender shall accelerate the Indebtedness and Borrower thereafter tenders payment of all or any part of the Indebtedness, or if all or any portion of the Indebtedness is recovered by Lender after such Event of Default, (a) such payment may be made only on the next occurring Payment Date together with all unpaid interest thereon as calculated through the end of the Interest Period during which such Payment Date occurs (even if such period extends beyond such Payment Date and calculated as if such payment had not been made on such Payment Date), and all other fees and sums payable hereunder or under the Loan Documents, including without limitation, interest that has accrued at the Default Rate and any Late Payment Charges), (b) such payment shall be deemed a voluntary prepayment by Borrower, and (c) Borrower shall pay, in addition to the Indebtedness, the Yield Maintenance Premium, if applicable, and an amount equal to, in the event the payment occurs during the Lockout Period, the Liquidated Damages Amount.

2.3.3 Release of Property. Lender shall, upon the written request and at the expense of Borrower, upon payment in full of the Principal Amount and interest on the Loan and all other amounts due and payable under the Loan Documents in accordance with the terms and provisions of the Note and this Agreement, release the Lien of (i) this Agreement upon the Account Collateral and (ii) the Security Instrument on the Property or assign it (together with the Note), in whole or in part, to a new lender. In such event, Borrower shall submit to Lender, not less than five (5) Business Days prior to the date Lender is being requested to execute such release or assignment, a release of lien or assignment of lien, as applicable, for such property for execution by Lender. Such release or assignment, as applicable, shall be in a form appropriate in each jurisdiction in which the Property is located and satisfactory to Lender in its reasonable discretion. In addition, Borrower shall provide all other documentation Lender reasonably requires to be delivered by Borrower in connection with such release or assignment, as applicable. Upon payment in full of the Principal Amount and all interest on the Loan and all other outstanding Indebtedness in accordance with the terms and provisions of the Note and this Agreement, whether or not such documents are executed by Lender upon such payment in full, the Lien of the Loan Documents shall automatically terminate (except as to the Security Instrument, if so assigned) and the Loan Documents (except for the Note and the Security Instrument, if so assigned) shall be of no further force and effect and shall be terminated, Lender shall promptly return to Borrower all Cash and Cash Equivalents, Letters of Credit and other collateral being held by Lender and, upon the written request and at the expense of Borrower, Lender shall execute all other documents reasonably required to put third parties on notice thereof. If the Security Instrument is not so assigned, the original Note shall be returned to Borrower marked "paid".

2.4 Regulatory Change; Taxes.

2.4.1 Increased Costs. If as a result of any Regulatory Change or compliance of Lender therewith, the basis of taxation of payments to Lender or any company Controlling Lender of the principal of or interest on the Loan is changed (excluding Federal, state, foreign or local taxation of the overall net income of Lender or the company Controlling Lender) or Lender or the company Controlling Lender shall be subject to (i) any tax, duty, charge or withholding of any kind with respect to this Agreement (excluding Federal, state, foreign or local taxation of the overall net income of Lender or the company Controlling Lender); or (ii) any reserve, special deposit or similar requirements relating to any extensions of credit or other assets of, or any deposits with or other liabilities, of Lender or any company Controlling Lender is imposed, modified or deemed applicable and Lender determines that, by reason thereof, the cost to Lender or any company Controlling Lender of making, maintaining or extending the Loan to Borrower is increased, or any amount receivable by Lender or any company Controlling Lender hereunder in respect of any portion of the Loan to Borrower is reduced, in each case by an amount deemed by Lender in good faith to be material (such increases in cost and reductions in amounts receivable being herein called "Increased Costs"), then Lender shall use good faith efforts to provide prompt notice thereof to Borrower and Borrower agrees that it will pay to Lender upon Lender's written request such additional amount or amounts as will compensate Lender or any company Controlling Lender for such Increased Costs to the extent Lender reasonably determines that such Increased Costs are allocable to the Loan. If Lender requests compensation under this Section 2.4.1, Borrower may, by notice to Lender, require that Lender furnish to Borrower a statement setting forth the basis for requesting such compensation and the method for determining the amount thereof.

2.4.2 Special Taxes. Except to the extent required by a Governmental Authority, Borrower shall make all payments hereunder free and clear of and without deduction for Special Taxes. If Borrower shall be required by law to deduct any Special Taxes from or in respect of any sum payable hereunder or under any other Loan Document to Lender, (i) the sum payable shall be increased as may be necessary so that after making all required deductions (including deductions applicable to additional sums payable under this Section 2.4.2) Lender receives an amount equal to the sum it would have received had no such deductions been made, (ii) Borrower shall make such deductions, and (iii) Borrower shall pay the full amount deducted to the relevant Governmental Authority in accordance with applicable law.

2.4.3 Other Taxes. In addition, Borrower agrees to pay any present or future stamp or documentary taxes or other excise or property taxes, charges, or similar levies which arise from any payment made hereunder, or from the execution, delivery or registration of, or otherwise with respect to, this Agreement, the other Loan Documents, or the Loan (hereinafter referred to as "Other Taxes").

2.4.4 Indemnity. Borrower shall indemnify Lender for the full amount of Special Taxes and Other Taxes (including any Special Taxes or Other Taxes imposed by any Governmental Authority on amounts payable under this Section 2.4.4) paid by Lender and any liability (including penalties, interest, and expenses) arising therefrom or with respect thereto, whether or not such Special Taxes or Other Taxes were correctly or legally asserted. This indemnification shall be made within thirty (30) days after the date Lender makes written demand therefor.

2.4.5 Change of Office. To the extent that changing the jurisdiction of Lender's applicable office would have the effect of minimizing Special Taxes, Other Taxes or Increased Costs, Lender shall use reasonable efforts to make such a change, provided that same would not otherwise be disadvantageous to Lender.

2.4.6 Survival. Without prejudice to the survival of any other agreement of Borrower hereunder, the agreements and obligations of Borrower contained in this Section 2.4 shall survive the payment in full of principal and interest hereunder, and the termination of this Agreement.

2.4.7 Limitations; Prepayment. Notwithstanding anything to the contrary contained herein, (i) the provisions of this Section 2.4 shall not apply to any Increased Costs or Special Taxes accruing after the date of the first Securitization of the Loan (or any part thereof) and (ii) in the event that Borrower would be required to pay any material cost in respect of any Increased Costs or Special Taxes pursuant to this Section 2.4, then Borrower may elect (pursuant to a Prepayment Notice delivered to Lender at any time thereafter (but prior to any Securitization described in clause (i) above) pursuant to Section 4 of the Note) to prepay the entire Principal Amount (with no obligation to pay the Liquidated Damages Amount or the Yield Maintenance Premium) in lieu of having to pay such material Increased Costs or Special Taxes (unless Lender shall incur such Increased Costs or Special Taxes prior to the date on which the Loan is so prepaid, in which event Borrower shall remain obligated to pay such Increased Costs or Special Taxes pursuant to this Section 2.4). Such prepayment shall be in accordance with the terms of Section 4 of the Note.

2.5 Conditions Precedent to Closing. The obligation of Lender to make the Loan hereunder is subject to the fulfillment by, or on behalf of, Borrower or waiver by Lender of the following conditions precedent no later than the Closing Date; provided, however, that unless a condition precedent shall expressly survive the Closing Date pursuant to a separate agreement, by funding the Loan, Lender shall be deemed to have waived any such conditions not theretofore fulfilled or satisfied:

2.5.1 Representations and Warranties; Compliance with Conditions. The representations and warranties of Borrower contained in this Agreement and the other Loan Documents shall be true and correct in all material respects on and as of the Closing Date with the same effect as if made on and as of such date, and no Default or Event of Default shall have occurred and be continuing; and Borrower shall be in compliance in all material respects with all terms and conditions set forth in this Agreement and in each other Loan Document on its part to be observed or performed.

2.5.2 Delivery of Loan Documents; Title Policy; Reports; Leases.

(a) Loan Documents. Lender shall have received an original copy of this Agreement, the Note and all of the other Loan Documents, in each case, duly executed (and to the extent required, acknowledged) and delivered on behalf of Borrower and any other parties thereto.

(b) Security Instrument, Assignment of Leases. Lender shall have received evidence that original counterparts of the Security Instrument and Assignment of Leases, in proper form for recordation, have been delivered to the Title Company for recording, so as effectively to create, in the reasonable judgment of Lender, upon such recording valid and enforceable first priority Liens upon the Property, in favor of Lender (or such other trustee as may be required or desired under local law), subject only to the Permitted Encumbrances and such other Liens as are permitted pursuant to the Loan Documents.

(c) UCC Financing Statements. Lender shall have received evidence that the UCC financing statements relating to the Security Instrument and this Agreement have been delivered to the Title Company for filing in the applicable jurisdictions.

(d) Title Insurance. Lender shall have received a Title Policy issued by the Title Company and dated as of the Closing Date, with reinsurance and direct access agreements acceptable to Lender. Such Title Policy shall (i) provide coverage in the amount of the Loan, (ii) insure Lender that the Security Instrument creates a valid, first priority Lien on the Property, free and clear of all exceptions from coverage other than Permitted Encumbrances and standard exceptions and exclusions from coverage (as modified by the terms of any endorsements), (iii) contain the endorsements and affirmative coverages set forth on Exhibit A and such additional endorsements and affirmative coverages as Lender may reasonably request, and (iv) name Lender as the insured. The Title Policy shall be assignable. Lender also shall have received evidence that all premiums in respect of such Title Policy have been paid.

(e) Survey. Lender shall have received a current Survey for the Property, containing the survey certification substantially in the form attached hereto as Exhibit B. Such Survey shall reflect the same legal description contained in the Title Policy referred to in clause (d) above and shall include, among other things, a metes and bounds description of the real property comprising part of the Property reasonably satisfactory to Lender. The surveyor's seal shall be affixed to the Survey and the surveyor shall provide a certification for such Survey in form and substance reasonably acceptable to Lender.

(f) Insurance. Lender shall have received valid certificates of insurance for the policies of insurance required hereunder and/or under the Existing Citibank Lease, if any, satisfactory to Lender in its sole discretion, and evidence of the payment of all insurance premiums currently due and payable for the existing policy period.

(g) Environmental Reports. Lender shall have received an Environmental Report in respect of the Property satisfactory to Lender.

(h) Zoning. Lender shall have received letters or other evidence with respect to the Property from the appropriate municipal authorities (or other Persons) concerning applicable zoning and building laws acceptable to Lender.

(i) Certificate of Occupancy. Lender shall have received a copy of the valid certificate of occupancy for the Property acceptable to Lender.

(j) Encumbrances. Borrower shall have taken or caused to be taken such actions in such a manner so that Lender has a valid and perfected first Lien as of the Closing Date on the Property, subject only to Permitted Encumbrances and such other Liens as are permitted pursuant to the Loan Documents, and Lender shall have received satisfactory evidence thereof.

2.5.3 Related Documents. Each additional document not specifically referenced herein, but relating to the transactions contemplated herein, shall have been duly authorized, executed and delivered by all parties thereto and Lender shall have received and approved certified copies thereof.

2.5.4 Delivery of Organizational Documents. On or before the Closing Date, Borrower shall deliver, or cause to be delivered, to Lender copies certified by an Officer's Certificate, of all organizational documentation related to Borrower, Guarantor, each SPE Entity and certain of its Affiliates as have been requested by Lender and/or the formation, structure, existence, good standing and/or qualification to do business of Borrower, Guarantor, each SPE Entity and such Affiliates, as Lender may request in its sole discretion, including, without limitation, good standing certificates, qualifications to do business in the appropriate jurisdictions, resolutions authorizing the entering into of the Loan and incumbency certificates as may be requested by Lender. Each of the organizational documents of any SPE Entity shall contain provisions having a substantive effect materially similar to that of the language set forth in Exhibit C.

2.5.5 Opinions of Borrower's Counsel.

(a) Lender shall have received a Non-Consolidation Opinion.

(b) Lender shall have received the Opinion of Counsel substantially in compliance with the requirements set forth in Exhibit D or in such other form approved by Lender.

2.5.6 Reserved.

2.5.7 Completion of Proceedings. All corporate and other proceedings taken or to be taken in connection with the transactions contemplated by this Agreement and other Loan Documents and all documents incidental thereto shall be satisfactory in form and substance to Lender, and Lender shall have received all such counterpart originals or certified copies of such documents as Lender may reasonably request.

2.5.8 Payments. All payments, deposits or escrows, if any, required to be made or established by Borrower under this Agreement, the Note and the other Loan Documents on or before the Closing Date shall have been paid.

2.5.9 Account Agreement. Lender shall have received the original of the Account Agreement executed by each of Cash Management Bank and Borrower.

2.5.10 Citibank Estoppel and SNDA. Lender shall have received from Citibank (i) an executed tenant estoppel letter, substantially in form of Exhibit G attached hereto and (ii) an executed Citibank SNDA.

2.5.11 Reciprocal Easement Agreement Estoppels. Lender shall have received an executed reciprocal easement agreement estoppel letter from all parties under the REAs substantially in the form of Exhibit I attached hereto.

2.5.12 Independent Member Certificate. Lender shall have received an executed Independent Member certificate substantially in the form attached as Exhibit T from each Independent Member.

2.5.13 Transaction Costs. Borrower shall have paid or reimbursed Lender for all title insurance premiums, recording and filing fees, costs of Environmental Reports, Physical Conditions Reports, appraisals and other reports, the reasonable fees and costs of Lender's counsel and all other third party out-of-pocket expenses incurred in connection with the origination of the Loan.

2.5.14 Material Adverse Effect. No event or condition shall have occurred since the date of Borrower's most recent financial statements previously delivered to Lender which has or could reasonably be expected to have a Material Adverse Effect. The Operating Income and Operating Expenses of the Property, the Leases, and all other features of the transaction shall be as represented to Lender without material adverse change. Neither Borrower nor any of its constituent Persons nor Citibank nor any of its constituent Persons shall be the subject of any bankruptcy, reorganization, or insolvency proceeding.

2.5.15 Leases and Rent Roll. Lender shall have received true, correct and complete copies of (i) the Existing Citibank Lease, including its exhibit, the Amended and Restated Lease, and (ii) all Current Occupancy Agreements (as defined in the Citibank Lease) which the Citibank Tenant has delivered to Borrower.

2.5.16 Tax Lot. Lender shall have received evidence that the Property constitutes one (1) or more separate tax lots, which evidence shall be reasonably satisfactory in form and substance to Lender.

2.5.17 Physical Conditions Report. Lender shall have received a Physical Conditions Report with respect to the Property, which report shall be satisfactory in form and substance to Lender.

2.5.18 Appraisal. Lender shall have received an appraisal of the Property, which shall be satisfactory in form and substance to Lender.

2.5.19 Further Documents. Lender or its counsel shall have received such other and further approvals, opinions, documents and information as Lender or its counsel may have reasonably requested including the Loan Documents in form and substance satisfactory to Lender and its counsel.

III. CASH MANAGEMENT

3.1 Cash Management.

3.1.1 Establishment of Accounts. Borrower hereby confirms that, simultaneously with the execution of this Agreement, pursuant to the Account Agreement, it has established with Cash Management Bank, in the name of Borrower for the benefit of Lender, as secured party, the collection account (the "Collection Account"), which has been established as an interest-bearing "deposit account" (as such term is defined in Section 9-102(a)(29) of the UCC), and the holding account (the "Holding Account"), which has been established as a "securities account" (as such term is defined in Section 8-501(a) of the UCC). Both the Collection Account and the Holding Account and each sub-account of either such account and the funds deposited therein and securities and other assets credited thereto shall serve as additional security for the Loan. Pursuant to the Account Agreement, Borrower shall irrevocably instruct and authorize Cash Management Bank to disregard any and all orders for withdrawal from the Collection Account or the Holding Account made by, or at the direction of, Borrower other than to transfer all amounts on deposit in the Collection Account in accordance with Section 4(c) of the Account Agreement. Pursuant to the Account Agreement, (A) prior to the occurrence of a Reserve Period (and thereafter so long as a Reserve Period shall no longer be continuing), Cash Management Bank on a daily basis shall transfer all collected and available funds as determined by Cash Management Bank's then current funds availability schedule received in the Collection Account either to an account designated by Borrower or to the Holding Account, as required by Section 3.1.6(a)

below, and (B) from and after the occurrence and during the continuance of a Reserve Period, Cash Management Bank on a daily basis shall transfer all collected and available funds as determined by Cash Management Bank's then current funds availability schedule received in the Collection Account to the Holding Account. Borrower agrees that, prior to the payment in full of the Indebtedness, the terms and conditions of the Account Agreement shall not be amended or modified without the prior written consent of Lender (which consent Lender may grant or withhold in its sole discretion), and if a Securitization has occurred, the delivery by Borrower of a Rating Agency Confirmation. In recognition of Lender's security interest in the funds deposited into the Collection Account and the Holding Account, Borrower shall identify both the Collection Account and the Holding Account with the name of Lender, as secured party. The Collection Account shall be named as follows: "Reckson Court Square, LLC f/b/o German American Capital Corporation, as secured party Collection Account" (Account Number 323 967051). The Holding Account shall be named as follows: "Reckson Court Square, LLC f/b/o German American Capital Corporation, as secured party Holding Account" (Account Number 323 967043). Borrower confirms that it has established with Cash Management Bank the following sub-accounts of the Holding Account (each, a "Sub-Account" and, collectively, the "Sub-Accounts" and together with the Holding Account and the Collection Account, the "Collateral Accounts"), which (i) may be ledger or book entry sub-accounts and need not be actual sub-accounts, (ii) shall each be linked to the Holding Account, (iii) shall each be a "securities account" within the meaning of Article 8 of the UCC and (iv) shall each be an Eligible Account to which certain funds shall be allocated and from which disbursements shall be made pursuant to the terms of this Agreement:

(a) a sub-account for the retention of Account Collateral in respect of reserves for tenant improvements and leasing commissions with the account number 323 967043-1 (the "TI and Leasing Reserve Account");

(b) a sub-account for the retention of Account Collateral in respect of any portion of the Principal Amount and unpaid interest thereon and any other amounts required to be paid by Borrower to Lender in connection therewith (collectively, "Prepayment Amounts") in connection with a voluntary prepayment of the Loan pursuant to Section 4(a) of the Note with the account number 323 967043-3 (the "Prepayment Reserve Account");

(c) a sub-account for the retention of Account Collateral in respect of Approved Operating Expenses with the account number 323 967043-2 (the "Operating Expense Reserve Account"); and

(d) a sub-account for the retention of Account Collateral in respect of certain Proceeds as more fully set forth in Section 6.2 with the account number 323 967043-4 (the "Proceeds Reserve Account").

3.1.2 Pledge of Account Collateral. To secure the full and punctual payment and performance of the Obligations, Borrower hereby collaterally assigns, grants a security interest in and pledges to Lender, to the extent not prohibited by applicable law, a first priority continuing security interest in and to the following property of Borrower, whether now owned or existing or hereafter acquired or arising and regardless of where located (all of the same, collectively, the "Account Collateral"):

(a) the Collateral Accounts and all cash, checks, drafts, securities entitlements, certificates, instruments, financial assets and other property, including, without limitation, all deposits and/or wire transfers from time to time deposited or held in, credited to or made to Collateral Accounts;

(b) any and all amounts invested in Permitted Investments;

(c) all interest, dividends, cash, instruments, securities entitlements and other property from time to time received, receivable or otherwise payable in respect of, or in exchange for, any or all of the foregoing or purchased with funds from the Collateral Accounts; and

(d) to the extent not covered by clauses (a), (b) or (c) above, all proceeds (as defined under the UCC) of any or all of the foregoing.

In addition to the rights and remedies herein set forth, Lender shall have all of the rights and remedies with respect to the Account Collateral available to a secured party at law or in equity, including, without limitation, the rights of a secured party under the UCC, as if such rights and remedies were fully set forth herein.

This Agreement shall constitute a security agreement for purposes of the Uniform Commercial Code and other applicable law.

3.1.3 Maintenance of Collateral Accounts.

(a) Borrower agrees that the Collection Account is and shall be maintained (i) as a "deposit account" (as such term is defined in Section 9-102(a)(29) of the UCC), (ii) in such a manner that Lender shall have control (within the meaning of Section 9-104(a)(2) of the UCC) over the Collection Account and (iii) such that, except as provided herein or in the Account Agreement, neither Borrower nor Manager shall have any right of withdrawal from the Collection Account and no Account Collateral shall be released to Borrower or Manager from the Collection Account. Without limiting Borrower's obligations under the immediately preceding sentence, Borrower shall only establish and maintain the Collection Account with a financial institution that has executed an agreement substantially in the form of the Account Agreement or in such other form acceptable to Lender in its sole discretion, with changes requested by such replacement Cash Management Bank that are reasonably acceptable to Lender (including being in accordance with the applicable requirements of the securitization market), and Lender agrees to reasonably cooperate in connection therewith (at no cost to Lender).

(b) Borrower agrees that each of the Holding Account and the Sub-Accounts is and shall be maintained (i) as a "securities account" (as such term is defined in Section 8-501(a) of the UCC), (ii) in such a manner that Lender shall have control (within the meaning of Section 8-106(d)(2) of the UCC) over the Holding Account and any Sub-Account, (iii) such that neither Borrower nor Manager shall have any right of withdrawal from the Holding Account or the Sub-Accounts and, except as provided herein, no Account Collateral shall be released to Borrower from the Holding Account or the Sub-Accounts, (iv) in such a manner that the Cash Management Bank shall agree to treat all property credited to the Holding Account or the Sub-Accounts as "financial assets" (as such term is defined in Section 8-102(a)(9) of the UCC) and (v) such that all securities or other property underlying any financial assets credited to the Accounts shall be registered in the name of Cash Management Bank, indorsed to Cash Management Bank or in blank or credited to another securities account maintained in the name of Cash Management Bank and in no case will any financial asset credited to any of the Collateral Accounts be registered in the name of Borrower, payable to the order of Borrower or specially indorsed to Borrower except to the extent the foregoing have been specially indorsed to Cash Management Bank or in blank. Without limiting Borrower's obligations under the immediately preceding sentence, Borrower shall only establish and maintain the Holding Account with a financial institution that has executed an agreement substantially in the form of the Account Agreement or in such other form acceptable to Lender in its sole discretion, with changes requested by such replacement Cash Management Bank that are reasonably acceptable to Lender (including being in accordance with the applicable requirements of the securitization market), and Lender agrees to reasonably cooperate in connection therewith (at no cost to Lender).

3.1.4 Eligible Accounts. The Collateral Accounts shall be Eligible Accounts. The Collateral Accounts shall be subject to such applicable laws, and such applicable regulations of the Board of Governors of the Federal Reserve System and of any other banking or governmental authority, as may now or hereafter be in effect. Income and interest accruing on the Collateral Accounts or any investments held in such accounts shall be periodically added to the principal amount of such account and shall be held, disbursed and applied in accordance with the provisions of this Agreement, the Note and the Account Agreement. Borrower shall be the beneficial owner of the Collateral Accounts for federal income tax purposes and shall report all income on the Collateral Accounts.

3.1.5 Deposits into Sub-Accounts. On the date hereof, Borrower has deposited the following amounts into the Sub-Accounts:

(i) $0 into the Prepayment Reserve Account

(ii) $0 into the Operating Expense Reserve Account;

(iii) $0 into the TI and Leasing Reserve Account; and

(iv) $0 into the Proceeds Reserve Account.

3.1.6 Monthly Funding of Sub-Accounts.

(a) Provided that no Reserve Period shall have occurred and be continuing, (A) Borrower may direct Cash Management Bank to transfer from the Collection Account on each Business Day, commencing on the Closing Date, all funds on deposit in the Collection Account (other than funds relating to any Surrender Fees) and transfer the same (free of the Lien of the Loan Documents) to an account designated by Borrower and (B) Borrower shall direct Cash Management Bank to transfer from the Collection Account on any Business Day from and after the Closing Date that funds are on deposit in the Collection Account which relate to any Surrender Fees and transfer the same to the Holding Account for application in accordance with this Section 3.16. From and after the occurrence and during the continuance of a Reserve Period (and/or in the event that there are any funds on deposit in the Holding Account relating to any Surrender Fees or Prepayment Amounts), Borrower hereby irrevocably authorizes Lender to transfer (and, pursuant to the Account Agreement shall irrevocably authorize Cash Management Bank to execute any corresponding instructions of Lender), and Lender shall transfer on each Business Day (subject to the terms of Section 3.1.10), or as soon thereafter as sufficient funds are in the Holding Account to make the applicable transfers, funds in the following amounts and in the following order of priority:

(i) funds in an amount equal to the amount of any Prepayment Amounts paid by Borrower to Lender with respect to the next occurring Payment Date and deposit the same into the Prepayment Reserve Account;

(ii) during any Reserve Period, funds in an amount equal to the Approved Operating Expenses for the month in which the Payment Date immediately following the date of the transfer from the Holding Account occurs, and transfer the same to the Operating Expense Reserve Account; provided, however, that to the extent that the Officer's Certificate delivered to Lender on a quarterly basis by Borrower pursuant to Article XI provides evidence reasonably satisfactory to Lender that actual Operating Expenses for such calendar quarter were either less than or greater than Approved Operating Expenses, then Lender may direct Cash Management Bank to increase or decrease the amount of the Approved Operating Expense transfer to be made for the month following the month in which such Officer's Certificate was delivered, such adjustment to be in an amount reasonably determined by Lender to appropriately reflect such difference between actual Operating Expenses and Approved Operating Expenses;

(iii) funds in an amount equal to any Surrender Fees (as defined in the Citibank Lease), if any, and transfer the same to the TI and Leasing Reserve Account; and

(iv) during any Reserve Period, funds in an amount equal to the balance (if any) remaining or deposited in the Holding Account after the foregoing deposits (such remainder being hereinafter referred to as "Excess Cash Flow") and provided no Event of Default shall have occurred and is then continuing, transfer any Excess Cash Flow to Lender to be applied as a partial prepayment of the outstanding principal Indebtedness in accordance with the Note.

(b) If Lender shall reasonably determine that there will be insufficient amounts in the Holding Account to make any of the transfers pursuant to this Section 3.1.5 inclusive on the date required hereunder, Lender shall provide notice to Borrower of such insufficiency and, within five (5) Business Days after receipt of said notice and prior to the expiration of any grace period applicable to such payment, Borrower shall deposit into the Holding Account an amount equal to the shortfall of available funds in the Holding Account taking into account any funds which accumulate in the Holding Account during such five (5) day Business Day period. Notwithstanding anything to the contrary contained in this Agreement or in the other Loan Documents, Borrower shall not be deemed to be in default hereunder or thereunder in the event funds sufficient for a required transfer are held in an appropriate Sub-Account and Lender or Cash Management Bank fails to timely make any transfer from such Sub-Account as contemplated by this Agreement unless due to the negligence or willful misconduct of Borrower.

(c) Notwithstanding anything to the contrary contained herein or in the Security Instrument, to the extent that Borrower shall fail to timely pay any mortgage recording tax, Lender shall have the right, at any time, without notice to Borrower, to withdraw from the Holding Account, an amount equal to such unpaid taxes, costs, expenses and/or other amounts and pay such amounts to the Person(s) entitled thereto.

3.1.7 Payments from Sub-Accounts. Borrower irrevocably authorizes Lender to make and, provided no Event of Default shall have occurred and be continuing, Lender hereby agrees to make, the following payments from the Sub-Accounts to the extent of the monies on deposit therefor:

(i) funds from the Prepayment Reserve Account to Lender sufficient to pay the Prepayment Amounts on the next occurring Payment Date, and Lender, on such Payment Date, shall apply such funds to the payment of the Prepayment Amounts payable on such Payment Date;

(ii) during a Reserve Period, no more frequently than once a month, funds from the Operating Expense Reserve Account in an amount equal to the Approved Operating Expenses for the month in which the transfer is made, and transfer the same to Borrower's Account; and

(iii) no more frequently than once in any calendar month, funds from the TI and Leasing Reserve Account to the Borrower's Account to pay for TI and Leasing Costs in accordance with Section 16.1.

3.1.8 Cash Management Bank.

(a) Lender shall have the right at Borrower's sole cost and expense to replace the Cash Management Bank with a financial institution reasonably satisfactory to Borrower in the event that (i) the Cash Management Bank fails, in any material respect, to comply with the Account Agreement, (ii) the Cash Management Bank named herein is no longer the Cash Management Bank or (iii) the Cash Management Bank is no longer an Approved Bank. Upon the occurrence and during the continuance of an Event of Default, Lender shall have the right at Borrower's sole cost and expense to replace Cash Management Bank at any time, without notice to Borrower. Borrower shall cooperate with Lender in connection with the appointment of any replacement Cash Management Bank and the execution by the Cash Management Bank and Borrower of an Account Agreement and delivery of same to Lender (with a copy to the Mezzanine Lender).

(b) So long as no Event of Default shall have occurred and be continuing, Borrower shall have the right at its sole cost and expense to replace the Cash Management Bank with a financial institution that is an Approved Bank, provided that such financial institution and Borrower shall execute and deliver to Lender (with a copy to Mezzanine Lender) an Account Agreement substantially similar to the Account Agreement executed as of the Closing Date, with changes requested by such replacement Cash Management Bank that are reasonably acceptable to Lender (including being in accordance with the applicable requirements of the securitization market), and Lender agrees to reasonably cooperate in connection therewith (at no cost to Lender).

3.1.9 Borrower's Account Representations, Warranties and Covenants.

(a) Borrower represents, warrants and covenants that (i) as of the date hereof, Borrower has directed all Tenants under the Leases to mail all checks and wire all funds with respect to any payments due under such Leases directly to the Collection Account pursuant to a letter substantially in the form of Exhibit P, and (ii) Borrower shall deliver a letter substantially in the form attached hereto as Exhibit P to Tenants under all Leases entered into after the date hereof (or shall incorporate the same into such Tenant's Lease).

(b) Borrower further represents, warrants and covenants that (i) Borrower shall cause each Manager to deposit all Rents payable to Borrower pursuant to any Management Agreement directly into the Collection Account, (ii) Borrower shall pay or cause to be paid all Rents (and not including any Security Deposits) not covered by the preceding subsection (a) within two (2) Business Days after receipt thereof by Borrower or its Affiliates directly into the Collection Account and, until so deposited, any such amounts held by Borrower or Manager shall be deemed to be Account Collateral and shall be held in trust by it for the benefit, and as the property, of Lender and shall not be commingled with any other funds or property of Borrower or Manager, (iii) there are no accounts other than the Collateral Accounts maintained by Borrower or any other Person with respect to the collection of Rents (and not including any Security Deposits), other than any accounts maintained by the Citibank Tenant and (iv) so long as the Loan shall be outstanding, neither Borrower nor any other Person (other than the Citibank Tenant) shall open any other accounts with respect to the collection of Rents, except for the Collateral Accounts.

(c) Notwithstanding anything to the contrary contained herein, Borrower may change the name of any of the Collateral Accounts in order to reflect the fact that the Borrower initially named herein is no longer the Borrower or has changed its name (so long as such name change is not prohibited under any of the Loan Documents), provided that (i) Borrower delivers written notice thereof to Lender at least ten (10) Business Days prior to the effective date of such name change, (ii) Borrower obtains Lender's consent thereto (which consent shall not be unreasonably withheld), (iii) no Reserve Period shall have occurred and be continuing and (iv) Lender's Lien in the Account Collateral shall not be adversely affected thereby.

3.1.10 Account Collateral and Remedies.

(a) Upon the occurrence and during the continuance of an Event of Default, without additional notice from Lender to Borrower, (i) Lender may, in addition to and not in limitation of Lender's other rights, make any and all withdrawals from, and transfers between and among, the Collateral Accounts as Lender shall determine in its sole and absolute discretion to pay any Obligations, Operating Expenses and/or Capital Expenditures for the Property, (ii) all Excess Cash Flow shall be retained in the Holding Account or applicable Sub-Accounts, (iii) all payments to the Mezzanine Lender pursuant to Section 3.1.6 shall immediately cease and (iv) Lender may liquidate and transfer any amounts then invested in Permitted Investments to the Collateral Accounts to which they relate or reinvest such amounts in other Permitted Investments as Lender may reasonably determine is necessary to perfect or protect any security interest granted or purported to be granted hereby or to enable Lender to exercise and enforce Lender's rights and remedies hereunder with respect to any Account Collateral or to preserve the value of the Account Collateral.

(b) Upon the occurrence and during the continuance of an Event of Default, Borrower hereby irrevocably constitutes and appoints Lender as Borrower's true and lawful attorney-in-fact, with full power of substitution, to execute, acknowledge and deliver any instruments and to exercise and enforce every right, power, remedy, option and privilege of Borrower with respect to the Account Collateral, and do in the name, place and stead of Borrower, all such acts, things and deeds for and on behalf of and in the name of Borrower, which Borrower could or might do or which Lender may deem necessary or desirable to more fully vest in Lender the rights and remedies provided for herein and to accomplish the purposes of this Agreement. The foregoing powers of attorney are irrevocable and coupled with an interest. Upon the occurrence and during the continuance of an Event of Default, Lender may perform or cause performance of any such agreement, and any reasonable expenses of Lender incurred in connection therewith shall be paid by Borrower as provided in Section 5.1.16.

(c) Borrower hereby expressly waives, to the fullest extent permitted by law, presentment, demand, protest or any notice of any kind in connection with this Agreement or the Account Collateral except with respect to matters for which this Agreement or the other Loan Documents specifically and expressly provide for the giving of notice by Lender to Borrower and except with respect to matters for which Borrower is not, pursuant to applicable Legal Requirements, permitted to waive the giving of notice. Borrower acknowledges and agrees that ten (10) days' prior written notice of the time and place of any public sale of the Account Collateral or any other intended disposition thereof shall be reasonable and sufficient notice to Borrower within the meaning of the UCC.

3.1.11 Transfers and Other Liens. Borrower agrees that it will not (i) sell or otherwise dispose of any of the Account Collateral or (ii) create or permit to exist any Lien upon or with respect to all or any of the Account Collateral, except for the Lien granted to Lender under this Agreement and/or any Lien of the Cash Management Bank in accordance with the Account Agreement.

3.1.12 Reasonable Care. Beyond the exercise of reasonable care in the custody thereof, Lender shall have no duty as to any Account Collateral in its possession or control as agent therefor or bailee thereof or any income thereon or the preservation of rights against any person or otherwise with respect thereto. Lender shall be deemed to have exercised reasonable care in the custody and preservation of the Account Collateral in its possession if the Account Collateral is accorded treatment substantially equal to that which Lender accords its own property, it being understood that Lender shall not be liable or responsible for any loss or damage to any of the Account Collateral, or for any diminution in value thereof, by reason of the act or omission of Lender, its Affiliates, agents, employees or bailees, except to the extent that such loss or damage results from Lender's gross negligence or willful misconduct. In no event shall Lender be liable either directly or indirectly for losses or delays resulting from any event which may be the basis of an Excusable Delay, computer malfunctions, interruption of communication facilities, labor difficulties or other causes beyond Lender's reasonable control or for indirect, special or consequential damages except to the extent of Lender's gross negligence or willful misconduct. Notwithstanding the foregoing, Borrower acknowledges and agrees that (i) Lender does not have custody of the Account Collateral, (ii) Cash Management Bank has custody of the Account Collateral, (iii) the initial Cash Management Bank was chosen by Borrower and (iv) Lender has no obligation or duty to supervise Cash Management Bank or to see to the safe custody of the Account Collateral.

3.1.13 Lender's Liability.

(a) Lender shall be responsible for the performance only of such duties with respect to the Account Collateral as are specifically set forth in this Section 3.1 or elsewhere in the Loan Documents, and no other duty shall be implied from any provision hereof. Lender shall not be under any obligation or duty to perform any act with respect to the Account Collateral which would cause it to incur any expense or liability or to institute or defend any suit in respect hereof, or to advance any of its own monies. Borrower shall indemnify and hold Lender, its employees and officers harmless from and against any loss, cost or damage (including, without limitation, reasonable attorneys' fees and disbursements) incurred by Lender in connection with the transactions contemplated hereby with respect to the Account Collateral except as such may be caused by the gross negligence or willful misconduct of Lender, its employees, officers or agents.

(b) Lender shall be protected in acting upon any notice, resolution, request, consent, order, certificate, report, opinion, bond or other paper, document or signature believed by it in good faith to be genuine, and, in so acting, it may be assumed that any person purporting to give any of the foregoing in connection with the provisions hereof has been duly authorized to do so. Lender may consult with counsel, and the opinion of such counsel shall be full and complete authorization and protection in respect of any action taken or suffered by it hereunder and in good faith in accordance therewith.

3.1.14 Continuing Security Interest. This Agreement shall create a continuing security interest in the Account Collateral and shall remain in full force and effect until payment in full of the then outstanding Indebtedness (or assignment or release, as applicable, in accordance with Section 2.3.3 or 9.1). Upon payment in full of the then outstanding Indebtedness (or assignment or release, as applicable, in accordance with Section 2.3.3 or 9.1), this security interest shall automatically terminate without further notice from any party and Borrower shall be entitled to the return, upon its request, of such of the Account Collateral as shall not have been sold or otherwise applied pursuant to the terms hereof and Lender shall execute such instruments and documents as may be reasonably requested by Borrower to evidence such termination and the release of the Account Collateral and to provide evidence to third parties thereof.

IV. REPRESENTATIONS AND WARRANTIES

4.1 Borrower Representations. Borrower represents and warrants as of the Closing Date that:

4.1.1 Organization. Each of Borrower and Sole Member is a limited liability company and has been duly formed and is validly existing and in good standing pursuant to the laws of the State of Delaware with requisite power and authority to own its properties and to transact the businesses in which it is now engaged. Guarantor is a limited partnership and has been duly formed and is validly existing and in good standing pursuant to the laws of the State of Delaware with requisite power and authority to own its properties and to transact the businesses in which it is now engaged. Each of Borrower and Sole Member has duly qualified to do business and is in good standing in each jurisdiction where it is required to be so qualified in connection with its properties, businesses and operations. Each of Borrower and Sole Member possesses all rights, licenses, permits and authorizations, governmental or otherwise, necessary to entitle it to own its properties and to transact the businesses in which it is now engaged, and the sole business of Borrower is as set forth in Section 5.2.3. The organizational structure of Borrower is accurately depicted by the schematic diagram attached hereto as Exhibit K. Borrower shall not itself, and shall not permit any other SPE Entity to, change its name, identity, corporate structure or jurisdiction of organization unless it shall have given Lender at least thirty (30) days' prior written notice of any such change and shall have taken all steps reasonably requested by Lender to grant, perfect, protect and/or preserve the security interest granted hereunder to Lender.

4.1.2 Proceedings. Each of Borrower and Guarantor has full power to and has taken all necessary action to authorize the execution, delivery and performance of this Agreement (in the case of Borrower only) and the other Loan Documents to which it is a party. This Agreement and the other Loan Documents being executed by Borrower and/or Guarantor on the date hereof have been duly executed and delivered by, or on behalf of, Borrower and Guarantor, as applicable, and constitute legal, valid and binding obligations of Borrower and Guarantor, as applicable, enforceable against Borrower and Guarantor, as applicable, in accordance with their respective terms, subject only to applicable bankruptcy, insolvency and similar laws affecting rights of creditors generally, and subject, as to enforceability, to general principles of equity (regardless of whether enforcement is sought in a proceeding in equity or at law).

4.1.3 No Conflicts. The execution, delivery and performance of this Agreement and the other Loan Documents by Borrower and Guarantor, as applicable, will not conflict with or result in a material breach of any of the terms or provisions of, or constitute a material default under, or result in the creation or imposition of any lien, charge or encumbrance (other than pursuant to the Loan Documents) upon any of the property or assets of Borrower or Guarantor pursuant to the terms of any indenture, mortgage, deed of trust, loan agreement, partnership agreement or other agreement or instrument to which Borrower or Guarantor is a party or by which any of Borrower's or Guarantor's property or assets is subject (unless consents from all applicable parties thereto have been obtained), nor will such action result in any violation of the provisions of any statute or any order, rule or regulation of any Governmental Authority, and any consent, approval, authorization, order, registration or qualification of or with any Governmental Authority required for the execution, delivery and performance by Borrower or Guarantor of this Agreement or any other Loan Documents has been obtained and is in full force and effect.

4.1.4 Litigation. Except as set forth on Schedule II attached hereto, there are no arbitration proceedings, governmental investigations, actions, suits or proceedings at law or in equity by or before any Governmental Authority now pending or, to Borrower's Knowledge, threatened against or affecting Borrower, Sole Member or, to Borrower's Knowledge, the Property. The actions, suits or proceedings identified on Schedule II, if determined against Borrower, Sole Member or the Property, would not materially and adversely affect the condition (financial or otherwise) or business of Borrower, Sole Member or the condition or operation of the Property.

4.1.5 Agreements. Borrower is not a party to any agreement or instrument or subject to any restriction which is reasonably likely to materially and adversely affect Borrower or Borrower's financial condition. Borrower is not in default in any material respect in the performance, observance or fulfillment of any of the obligations, covenants or conditions contained in any agreement or instrument to which it is a party or by which Borrower or, to Borrower's Knowledge, the Property is bound. Borrower has no material financial obligation (contingent or otherwise) under any indenture, mortgage, deed of trust, loan agreement or other agreement or instrument to which Borrower is a party or by which Borrower or, to Borrower's Knowledge, the Property is otherwise bound, other than (a) Permitted Encumbrances, (b) obligations incurred in the ordinary course of the acquisition, ownership, leasing, management or operation of the Property and (c) obligations under the Loan Documents.

4.1.6 Title. Borrower has good, marketable and insurable fee simple title to the Land and the Improvements, free and clear of all Liens whatsoever except the Permitted Encumbrances, such other Liens as are permitted pursuant to the Loan Documents and the Liens created by the Loan Documents. Borrower has good and marketable title to the remainder of the Property, free and clear of all Liens whatsoever except the Permitted Encumbrances. The Security Instrument, when properly recorded in the appropriate records, together with any Uniform Commercial Code financing statements required to be filed in connection therewith, when filed in the appropriate offices therefor, will create (a) a valid, perfected first mortgage lien on the Land and the Improvements, subject only to Permitted Encumbrances and (b) perfected security interests in and to, and perfected collateral assignments of, to the extent the same may be perfected by the filing of a UCC financing statement, all of Borrower's right, title and interest in and to all personalty (including the Leases) which constitutes part of the Property, all in accordance with the terms thereof, in each case subject only to any applicable Permitted Encumbrances. To Borrower's Knowledge, there are no claims for payment for work, labor or materials affecting the Property which are or may become a lien prior to, or of equal priority with, the Liens created by the Loan Documents. None of the Permitted Encumbrances will materially and adversely affect (i) the ability of Borrower to pay any of its obligations to any Person as and when due, (ii) the fair market value of the Property or (iii) the use or operation of the Property as of the Closing Date and thereafter. Borrower shall preserve its right, title and interest in and to the Property for so long as the Note remains outstanding and will warrant and defend same and the validity and priority of the Lien hereof from and against any and all claims whatsoever other than the Permitted Encumbrances.

4.1.7 No Bankruptcy Filing. None of Borrower, Sole Member, any SPE Entity or Guarantor is contemplating either the filing of a petition by it under any state or federal bankruptcy or insolvency laws or the liquidation of all or a major portion of such entity's assets or property, and Borrower has no knowledge of any Person contemplating the filing of any such petition against it or against Sole Member, any SPE Entity or Guarantor.

4.1.8 Full and Accurate Disclosure. No statement of fact made by Borrower in this Agreement or in any of the other Loan Documents contains any untrue statement of a material fact or omits to state any material fact necessary to make statements contained herein or therein not misleading. There is no fact presently known to Borrower which has not been disclosed which could reasonably be expected to have a Material Adverse Effect.

4.1.9 All Property. The Property constitutes all of the real property, personal property, equipment and fixtures currently owned or leased by Borrower.

4.1.10 No Plan Assets.

(a) Borrower does not maintain an employee benefit plan as defined by Section 3(3) of ERISA, which is subject to Title IV of ERISA, and Borrower (i) has no knowledge of any material liability which has been incurred or is expected to be incurred by Borrower which is or remains unsatisfied for any taxes or penalties with respect to any "employee benefit plan," within the meaning of Section 3(3) of ERISA, or any "plan", within the meaning of Section 4975(e)(1) of the Internal Revenue Code or any other benefit plan (other than a multiemployer plan) maintained, contributed to, or required to be contributed to by Borrower or by any entity that is under common control with Borrower within the meaning of ERISA Section 4001(a)(14) (a "Plan") or any plan that would be a Plan but for the fact that it is a multiemployer plan within the meaning of ERISA Section 3(37); and (ii) has made and shall continue to make when due all required contributions to all such Plans, if any. Each such Plan has been and will be administered in compliance in all material respects with its terms and the applicable provisions of ERISA, the Internal Revenue Code, and any other applicable federal or state law; and Borrower has not taken any action or failed to take any action that could reasonably be expected to result in the disqualification or loss of tax-exempt status of any such Plan intended to be qualified and/or tax exempt (unless the same can be cured without material liability); and

(b) Borrower is not an employee benefit plan, as defined in Section 3(3) of ERISA, subject to Title I of ERISA, none of the assets of Borrower constitutes or will constitute plan assets of one or more such plans within the meaning of 29 C.F.R. Section 2510.3-101 and Borrower is not a governmental plan within the meaning of Section 3(32) of ERISA and transactions by or with Borrower are not subject to state statutes regulating investment of, and fiduciary obligations with respect to, governmental plans similar to the provisions of Section 406 of ERISA or Section 4975 of the Code currently in effect, which prohibit or otherwise restrict the transactions contemplated by this Agreement.

4.1.11 Compliance. To Borrower's Knowledge, (i) except as set forth in the PZR Report, the Property and the use thereof comply in all material respects with all applicable Legal Requirements, including, without limitation, building and zoning ordinances and codes, (ii) Borrower is not in default or in violation of any order, writ, injunction, decree or demand of any Governmental Authority, (iii) the Citibank Tenant is not in default or in violation of any order, writ, injunction, decree or demand of any Governmental Authority applicable to the Property and (iv) there has not been committed by Borrower or Citibank any act or omission affording the federal government or any other Governmental Authority the right of forfeiture as against the Property or any part thereof or any monies paid in performance of Borrower's obligations under any of the Loan Documents.

4.1.12 Reserved.

4.1.13 Condemnation. To Borrower's Knowledge, no Condemnation has been commenced or is contemplated with respect to all or any portion of the Property or for the relocation of roadways providing access to the Property.

4.1.14 Federal Reserve Regulations. None of the proceeds of the Loan will be used for the purpose of purchasing or carrying any "margin stock" as defined in Regulation U, Regulation X or Regulation T or for the purpose of reducing or retiring any indebtedness which was originally incurred to purchase or carry "margin stock" or for any other purpose which might constitute this transaction a "purpose credit" within the meaning of Regulation U or Regulation X. As of the Closing Date, Borrower does not own any "margin stock".

4.1.15 Utilities and Public Access. The Property has rights of access to public ways and, to Borrower's Knowledge, is served by water, sewer, sanitary sewer and storm drain facilities adequate to service the Property for its intended uses. To Borrower's Knowledge, all utilities necessary to the existing use of the Property are located either in the public right-of-way abutting the Property (which are connected so as to serve the Property without passing over other property) or in recorded easements serving the Property and such easements are set forth in and insured by the Title Policy. All roads necessary for the use of the Property for its current purposes have been completed and, if necessary, dedicated to public use.

4.1.16 Not a Foreign Person. Borrower is not a foreign person within the meaning of ss. 1445(f)(3) of the Code.

4.1.17 Separate Lots. The Property is comprised of one (1) or more contiguous parcels which constitute a separate tax lot or lots and does not constitute or include a portion of any other tax lot not a part of the Property.

4.1.18 Assessments. To Borrower's Knowledge, there are no pending or proposed special or other assessments for public improvements or otherwise affecting the Property, nor are there any contemplated improvements to the Property that may result in such special or other assessments.

4.1.19 Enforceability. The Loan Documents are not subject to any existing right of rescission, set-off, counterclaim or defense by Borrower, including the defense of usury, nor would the operation of any of the terms of the Loan Documents, or the exercise of any right thereunder, render the Loan Documents unenforceable (subject to applicable bankruptcy, insolvency and similar laws affecting rights of creditors generally, and subject as to enforceability, to general principles of equity (regardless of whether enforcement is sought in a proceeding in equity or at law)), and Borrower has not asserted any right of rescission, set-off, counterclaim or defense with respect thereto.

4.1.20 No Prior Assignment. There are no prior sales, transfers or assignments of the Leases or any portion of the Rents due and payable or to become due and payable which are presently outstanding following the funding of the Loan, other than those being terminated or assigned to Lender concurrently herewith.

4.1.21 Insurance. The Citibank Tenant has elected to self-insure with respect to its obligations under the Existing Citibank Lease.

4.1.22 Use of Property. To Borrower's Knowledge, the Property is used exclusively for permitted uses under the Existing Citibank Lease.

4.1.23 Certificate of Occupancy; Licenses. To Borrower's Knowledge, all material certifications, permits, licenses and approvals, including without limitation, certificates of completion and occupancy required of Borrower for the legal use, occupancy and operation of the Property as an office building (collectively, the "Licenses"), have been obtained and are in full force and effect. Borrower shall keep and maintain all Licenses necessary for the operation of the Property as an office building to the standard at which it is currently operated where the failure to do so would have a Material Adverse Effect. To Borrower's Knowledge, the use being made of the Property is in conformity in all material respects with the certificate of occupancy issued for the Property.

4.1.24 Flood Zone. None of the Improvements on the Property are located in an area as identified by the Federal Emergency Management Agency as an area having special flood hazards.

4.1.25 Physical Condition. To Borrower's Knowledge and except as expressly disclosed in the Physical Conditions Report or Environmental Report or any violations search or any other materials provided to Lender and its counsel prior to Closing, the Property, including, without limitation, all buildings, Improvements, parking facilities, sidewalks, storm drainage systems, roofs, plumbing systems, HVAC systems, fire protection systems, electrical systems, equipment, elevators, exterior sidings and doors, landscaping, irrigation systems and all structural components, are in good condition, order and repair in all material respects; to Borrower's Knowledge and except as disclosed in the Physical Conditions Report or Environmental Report or any violations search or any other materials provided to Lender and its counsel prior to Closing, there exists no structural or other material defects or damages in or to the Property, whether latent or otherwise, and neither Borrower nor (to Borrower's Knowledge) Citibank has received any written notice from any insurance company or bonding company of any defects or inadequacies in the Property, or any part thereof, which would adversely affect the insurability of the same or cause the imposition of extraordinary premiums or charges thereon or of any termination or threatened termination of any policy of insurance or bond.

4.1.26 Boundaries. To Borrower's Knowledge, except as shown on the Survey, all of the Improvements lie wholly within the boundaries and building restriction lines of the Real Property, and no improvements on adjoining properties encroach upon the Real Property, and no easements or other encumbrances upon the Real Property encroach upon any of the Improvements, so as to have a material adverse effect on the value or marketability of the Real Property except those which are insured against by the Title Policy.

4.1.27 Leases. The Property is not subject to any Leases other than the Citibank Lease. No Person has any possessory interest in the Property or right to occupy the same except under and pursuant to the provisions of the Leases and Persons claiming by, through and under Tenants under such Leases. The current Leases are in full force and effect and to Borrower's Knowledge, there are no material defaults thereunder by either party (other than as expressly disclosed to Lender or in the Tenant estoppel certificates delivered to Lender in connection with the closing of the Loan) and there are no conditions that, with the passage of time or the giving of notice, or both, would constitute material defaults thereunder. No Rent has been paid more than one (1) month in advance of its due date, except as disclosed in the Tenant estoppel certificates delivered to Lender in connection with the closing of the Loan. There has been no prior sale, transfer or assignment, hypothecation or pledge by Borrower of any Lease or of the Rents received therein, which will be outstanding following the funding of the Loan, other than those being assigned to Lender concurrently herewith.

4.1.28 Filing and Recording Taxes. To Borrower's Knowledge, all transfer taxes, deed stamps, intangible taxes or other amounts in the nature of transfer taxes, if any, required to be paid by any Person under applicable Legal Requirements currently in effect in connection with the transfer of the Property to Borrower have been paid and the granting and recording of the Security Instrument and the UCC financing statements required to be filed in connection with the Loan. To Borrower's Knowledge, all mortgage, mortgage recording, stamp, intangible or other similar tax required to be paid by any Person under applicable Legal Requirements currently in effect in connection with the execution, delivery, recordation, filing, registration, perfection or enforcement of any of the Loan Documents, including, without limitation, the Security Instrument, have been paid (or delivered to the Title Company for payment), and, upon such payment and recordation, under current Legal Requirements, the Security Instrument is enforceable against Borrower in accordance with its terms by Lender (or any subsequent holder thereof) subject only to applicable bankruptcy, insolvency and similar laws affecting rights of creditors generally, and subject as to enforceability, to general principles of equity (regardless of whether enforcement is sought in a proceeding in equity or at law.

4.1.29 Single Purpose Entity/Separateness.

(a) Until the Indebtedness has been paid in full, Borrower hereby represents, warrants and covenants that Borrower and each SPE Entity is, shall be, and shall continue to be, a Single Purpose Entity.

(b) All of the assumptions made in the Non-Consolidation Opinion, including, but not limited to, any exhibits attached thereto, are true and correct in all respects and any assumptions made in any subsequent non-consolidation opinion delivered in connection with the Loan Documents (an "Additional Non-Consolidation Opinion"), including, but not limited to, any exhibits attached thereto, shall be true and correct in all respects. Borrower and each SPE Entity will comply with all of the assumptions made with respect to its actions after the date hereof in the Non-Consolidation Opinion. Borrower and each SPE Entity will have complied and will comply with all of the assumptions made with respect to it in any Additional Non-Consolidation Opinion. Each entity other than Borrower with respect to which an assumption shall be made in any Additional Non-Consolidation Opinion will have complied and will comply with all of the assumptions made with respect to it in any Additional Non-Consolidation Opinion in all material respects.

4.1.30 Management. Pursuant to the Existing Citibank Lease (including, without limitation, Article 13 thereof), the Citibank Tenant is responsible for the operation, repair, replacement, maintenance and management of the Property.

4.1.31 Illegal Activity. No portion of the Property has been or will be purchased with proceeds of any illegal activity.

4.1.32 Reserved.

4.1.33 Tax Filings. Borrower has filed (or has obtained effective extensions for filing) all federal, state and local tax returns required to be filed and has paid or made adequate provision for the payment of all federal, state and local taxes, charges and assessments payable by Borrower.

4.1.34 Solvency/Fraudulent Conveyance. Borrower (a) has not entered into the transaction contemplated by this Agreement or any Loan Document with the actual intent to hinder, delay, or defraud any creditor and (b) has received reasonably equivalent value in exchange for its obligations under the Loan Documents. After giving effect to the Loan, the fair saleable value of Borrower's assets exceeds and will, immediately following the making of the Loan, exceed Borrower's total liabilities, including, without limitation, subordinated, unliquidated, disputed and contingent liabilities. The fair saleable value of Borrower's assets is and will, immediately following the making of the Loan, be greater than Borrower's probable liabilities, including the maximum amount of its contingent liabilities on its Debts as such Debts become absolute and matured. Borrower's assets do not and, immediately following the making of the Loan will not, constitute unreasonably small capital to carry out its business as conducted or as proposed to be conducted. Borrower does not intend to, and does not believe that it will, incur Debt and liabilities (including contingent liabilities and other commitments) beyond its ability to pay such Debt and liabilities as they mature (taking into account the timing and amounts of cash to be received by Borrower and the amounts to be payable on or in respect of obligations of Borrower).

4.1.35 Investment Company Act. Borrower is not (a) an investment company or a company Controlled by an investment company, within the meaning of the Investment Company Act of 1940, as amended, (b) a holding company or a subsidiary company of a holding company or an affiliate of either a holding company or a subsidiary company within the mean of the Public Utility Holding Company Act of 1935, as amended or (c) subject to any other federal or state law or regulation which purports to restrict or regulate its ability to borrow money. 4.1.36 Labor. To Borrower's Knowledge, (i) no organized work stoppage or labor strike is pending or threatened by employees and other laborers at the Property, (ii) neither Borrower nor Citibank is involved in or threatened with any labor dispute, grievance or litigation relating to labor matters involving any employees and other laborers at the Property, including, without limitation, violation of any federal, state or local labor, safety or employment laws (domestic or foreign) and/or charges of unfair labor practices or discrimination complaints, (iii) Borrower has not engaged in any unfair labor practices (within the meaning of the National Labor Relations Act or the Railway Labor Act) and (iv) the Citibank Tenant has not engaged in any unfair labor practices (within the meaning of the National Labor Relations Act or the Railway Labor Act) at the Property.

4.1.37 Brokers. Neither Borrower nor Lender has dealt with any broker or finder with respect to the transactions contemplated by the Loan Documents and neither party has done any acts, had any negotiations or conversations, or made any agreements or promises which will in any way create or give rise to any obligation or liability for the payment by either party of any brokerage fee, charge, commission or other compensation to any Person with respect to the transactions contemplated by the Loan Documents. Borrower and Lender shall each indemnify and hold harmless the other from and against any loss, liability, cost or expense, including any judgments, attorneys' fees, or costs of appeal, incurred by the other party and arising out of or relating to any breach or default by the indemnifying party of its representations, warranties and/or agreements set forth in this Section 4.1.37. The provisions of this Section 4.1.37 shall survive the expiration and termination of this Agreement and the payment of the Indebtedness.

4.1.38 No Other Debt. Borrower has not borrowed or received debt financing that has not been heretofore repaid in full, other than the Permitted Debt.

4.1.39 Taxpayer Identification Number. Borrower's Federal taxpayer identification number is 20-2766403.

4.1.40 Compliance with Anti-Terrorism, Embargo and Anti-Money Laundering Laws. (i) None of Borrower, Sole Member or Guarantor currently is identified on the OFAC List or otherwise qualifies as a Prohibited Person, (ii) Borrower has implemented procedures to ensure that no Person who now or hereafter owns any equity interest in Borrower or Guarantor (unless Guarantor itself is a U.S. Publicly-Traded Entity or a Public Reporting Entity) is a Prohibited Person or Controlled by a Prohibited Person (provided that this clause (ii) shall not apply to any Person to the extent that such Person's interest in Borrower or Guarantor is through a U.S. Publicly-Traded Entity or a Public Reporting Entity), and (iii) neither Borrower, Sole Member nor Guarantor is in violation of any Legal Requirements relating to anti-money laundering or anti-terrorism, including, without limitation, Legal Requirements related to transacting business with Prohibited Persons or the requirements of the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001, U.S. Public Law 107-56, and the related regulations issued thereunder, including temporary regulations, all as amended from time to time. To Borrower's Knowledge, no tenant or subtenant at the Property currently is identified on the OFAC List or otherwise qualifies as a Prohibited Person, and no tenant or subtenant at the Property is owned or Controlled by a Prohibited Person.

4.1.41 Leases and REAs. Borrower represents that it has heretofore delivered to Lender true and complete copies of the Existing Citibank Lease (and its exhibit, the Amended and Restated Lease) and all REAs, and any and all amendments or modifications thereof, and that Borrower has provided copies of all Current Occupancy Agreements (as defined in the Citibank Lease) provided to Borrower by Citibank under Article 7 of the Citibank Lease. To Borrower's Knowledge, Borrower and its predecessors have complied with and performed all of its or their material construction, improvement and alteration obligations, if any, with respect to the Property required to be performed as of the date hereof and any other obligations under the other REAs or the Citibank Lease that are required to be performed as of the date hereof have either been complied with or the failure to comply with the same does not and could not reasonably be expected to have a Material Adverse Effect.

4.1.42 REAs. The REAs are in full force and effect and neither Borrower nor, to Borrower's Knowledge, any other party to the REAs, is in default thereunder, and to the best of Borrower's Knowledge, there are no conditions which, with the passage of time or the giving of notice, or both, would constitute a default thereunder. The REAs have not been modified, amended or supplemented except as set forth on Schedule I.

4.2 Survival of Representations. Borrower agrees that all of the representations and warranties of Borrower set forth in Section 4.1 and elsewhere in this Agreement and in the other Loan Documents shall be deemed given and made as of the date of the funding of the Loan and survive for so long as any amount remains owing to Lender under this Agreement or any of the other Loan Documents by Borrower or Guarantor unless a longer survival period is expressly stated in a Loan Document with respect to a specific representation or warranty, in which case, for such longer period. All representations, warranties, covenants and agreements made in this Agreement or in the other Loan Documents by Borrower shall be deemed to have been relied upon by Lender notwithstanding any investigation heretofore or hereafter made by Lender or on its behalf.

V. BORROWER COVENANTS

5.1 Affirmative Covenants. From the Closing Date and until payment and performance in full of all obligations of Borrower under the Loan Documents, Borrower hereby covenants and agrees with Lender that:

5.1.1 Performance by Borrower. Borrower shall in a timely manner observe, perform and fulfill each and every covenant, term and provision of each Loan Document executed and delivered by, or applicable to, Borrower, and shall not enter into or otherwise suffer or permit any amendment, waiver, supplement, termination or other modification of any Loan Document executed and delivered by, or applicable to, Borrower, as applicable, without the prior written consent of Lender.

5.1.2 Existence; Compliance with Legal Requirements; Insurance. Subject to Borrower's and Citibank's right to contest pursuant to Section 7.3 and subject to Section 8.03 of the Citibank Lease, Borrower shall at all times comply and cause the Property to be in compliance with all Legal Requirements applicable to Borrower, any SPE Entity and/or the Property and the uses by Borrower permitted upon the Property. Borrower shall do or cause to be done all things reasonably necessary to preserve, renew and keep in full force and effect its existence, rights, licenses, permits and franchises necessary to comply with all Legal Requirements applicable to it and the Property. Borrower shall not, and shall not knowingly permit, any other Person in occupancy of or involved with the operation or use of the Property to commit, any act or omission affording the federal government or any state or local government the right of forfeiture as against the Property or any part thereof or any monies paid in performance of Borrower's obligations under any of the Loan Documents. Borrower hereby covenants and agrees not to commit, knowingly permit or suffer to exist any act or omission affording such right of forfeiture. Borrower shall at all times maintain, preserve and protect all franchises and trade names not owned by Tenants and reasonably preserve all the remainder of its property used in the conduct of its business and shall keep the Property in good working order and repair, and from time to time make, or cause to be made, all reasonably necessary repairs, renewals, replacements, betterments and improvements thereto, all as more fully set forth in the Security Instrument. Borrower shall keep the Property insured at all times to such extent and against such risks, and maintain liability and such other insurance, as is more fully set forth in this Agreement (it being agreed that the Citibank Tenant's maintenance of self-insurance with respect to the Property in accordance with Section 9.08 of the Citibank Lease shall not be deemed to be a breach of this Section).

5.1.3 Litigation. Borrower shall give prompt written notice to Lender of any litigation or governmental proceedings pending or threatened in writing against Borrower which, if determined adversely to Borrower, would have a Material Adverse Effect.

5.1.4 Single Purpose Entity.

(a) Each of Borrower and each SPE Entity has been since the date of its formation and shall remain a Single Purpose Entity, except that Borrower and Lender hereby acknowledge that from the date of Borrower's formation, April 29, 2005, until August 3, 2005, (1) Borrower's limited liability company operating agreement did not include the Separateness Criteria (as defined in the Non-Consolidation Agreement), (2) Borrower did not have a managing member that was a Single Purpose Entity or any Independent Members, (3) Borrower had no bank accounts, (4) since Borrower acquired the Property on May 12, 2005, the Citibank Tenant has remitted its monthly rent payments to Guarantor rather than to Borrower, (5) Borrower previously guaranteed the obligations of Guarantor, (6) Borrower did not maintain separate stationery, invoices or checks and (7) Borrower's limited liability company operating agreement did not limit Borrower's purposes.

(b) Each of Borrower and each SPE Entity shall continue to maintain its own deposit account or accounts, separate from those of any Affiliate, with commercial banking institutions. None of the funds of Borrower or any SPE Entity will be diverted to any other Person or for other than business uses of Borrower or any SPE Entity, as applicable, but the foregoing shall not affect Borrower's right to make distributions.

(c) To the extent that Borrower or any SPE Entity shares the same officers or other employees as any of Borrower, any SPE Entity or their Affiliates, the salaries of and the expenses related to providing benefits to such officers and other employees shall be fairly allocated among such entities, and each such entity shall bear its fair share of the salary and benefit costs associated with all such common officers and employees.

(d) To the extent that Borrower or any SPE Entity jointly contracts with any of Borrower, any SPE Entity or either of their Affiliates, as applicable, to do business with vendors or service providers or to share overhead expenses, the costs incurred in so doing shall be allocated fairly among such entities, and each such entity shall bear its fair share of such costs. To the extent that either Borrower or any SPE Entity contracts or does business with vendors or service providers where the goods and services provided are partially for the benefit of any other Person, the costs incurred in so doing shall be fairly allocated to or among such entities for whose benefit the goods and services are provided, and each such entity shall bear its fair share of such costs. All material transactions between (or among) Borrower or each SPE Entity and any of their respective Affiliates shall be conducted on substantially the same terms (or on more favorable terms for Borrower or any SPE Entity, as applicable) as would be conducted with third parties.

(e) In addition, Borrower and each SPE Entity shall each: (i) maintain its assets in such a manner that it is not more costly or difficult to segregate, identify or ascertain such assets; (ii) in the event that Borrower or such SPE Entity shall have a board of directors or more than one shareholder, partner or member (other than any Independent Member), hold regular meetings of its board of directors, shareholders, partners or members, as the case may be; and (iii) transact all business with its Affiliates on an arm's-length basis and pursuant to enforceable agreements.

5.1.5 Consents. If Borrower or any SPE Entity is a corporation, the board of directors of such Person may not take any action requiring the unanimous affirmative vote of 100% of the members of the board of directors unless all of the directors, including the Independent Directors, shall have participated in such vote. If Borrower or any SPE Entity is a limited liability company, (a) if such Person is managed by a board of managers, the board of managers of such Person may not take any action requiring the unanimous affirmative vote of 100% of the members of the board of managers unless all of the managers, including the Independent Managers, shall have participated in such vote, or (b) if such Person is not managed by a board of managers, the members of such Person may not take any action requiring the affirmative vote of 100% of the members of such Person unless all of the members, including the Independent Members, shall have participated in such vote. An affirmative vote of 100% of the directors, board of managers or members, as applicable, of Borrower and any SPE Entity shall be required to (i) file a bankruptcy or insolvency petition or otherwise institute insolvency proceedings or to authorize Borrower or any SPE Entity to do so or (ii) file an involuntary bankruptcy petition against any Affiliate, Manager, or any Affiliate of Manager. Furthermore, Borrower's and each SPE Entity's formation documents shall expressly state that, except as may be permitted under the Loan Documents (including Article VIII of this Agreement), unless Lender consents otherwise, for so long as the Loan is outstanding or otherwise satisfied, released or assigned in accordance with Section 2.3.3 or 9.1, as applicable (or such entity has transferred its interest in the Property to a new Borrower in accordance with Article VIII), neither Borrower nor any SPE Entity shall be permitted to (A) dissolve, liquidate, consolidate, merge or sell all or substantially all of Borrower's or any SPE Entity's assets other than in connection with the repayment of the Loan or (B) engage in any other business activity and such entity's organizational documents shall not be modified so as to change, modify or delete the restrictions set forth in clauses (A) and (B) above.

5.1.6 Access to Property. Subject to the rights and limitations set forth in the Citibank Lease and to the rights of Tenants under other Leases, Borrower shall permit agents, representatives and employees of Lender and the Rating Agencies to inspect the Property or any part thereof during normal business hours on Business Days upon reasonable advance notice.

5.1.7 Notice of Default. Borrower shall promptly advise Lender (a) of any event or condition that has or is likely to have a Material Adverse Effect and (b) of the occurrence of any Default or Event of Default of which Borrower has knowledge.

5.1.8 Cooperate in Legal Proceedings. Borrower shall cooperate fully with Lender with respect to any proceedings before any court, board or other Governmental Authority which would reasonably be expected to affect in any material adverse way the rights of Lender hereunder or under any of the other Loan Documents and, in connection therewith, permit Lender, at its election, to participate in any such proceedings which may have a Material Adverse Effect.

5.1.9 Perform Loan Documents. Borrower shall observe, perform and satisfy all the terms, provisions, covenants and conditions of, and shall pay when due all costs, fees and expenses to the extent required, under the Loan Documents executed and delivered by, or applicable to, Borrower.

5.1.10 Insurance.

(a) Subject to the terms of Article VI, Borrower shall cooperate with Lender in obtaining for Lender the benefits of any Proceeds lawfully or equitably payable in connection with the Property, and Lender shall be reimbursed for any expenses incurred in connection therewith (including reasonable attorneys' fees and disbursements) out of such Proceeds.

(b) Borrower shall comply with all Insurance Requirements and shall not bring or keep or permit to be brought or kept any article upon any of the Property or cause or permit any condition to exist thereon which would be prohibited by any Insurance Requirement (subject to the Citibank Tenant's rights under the Citibank Lease), or would invalidate insurance coverage required hereunder to be maintained by Borrower on or with respect to any part of the Property pursuant to Section 6.1; provided, however, in no event shall the mere use of the Property by the Citibank Tenant for customary and ordinary office purposes or for any retail or other use of the Property as of the date of the Existing Citibank Lease, as opposed to the manner of such use, constitute a breach of this Section 5.1.10(b).

5.1.11 Further Assurances; Separate Notes.

(a) Borrower shall execute and acknowledge (or cause to be executed and acknowledged) and deliver to Lender all documents, and take all actions, reasonably required by Lender from time to time to confirm the rights created or now or hereafter intended to be created under this Agreement and the other Loan Documents and any security interest created or purported to be created thereunder, to protect and further the validity, priority and enforceability of this Agreement and the other Loan Documents, to subject to the Loan Documents any property of Borrower intended by the terms of any one or more of the Loan Documents to be encumbered by the Loan Documents, or otherwise carry out the purposes of the Loan Documents and the transactions contemplated thereunder (including, without limitation, the execution and delivery by Borrower, from time to time, of such further instruments (including, without limitation, delivery of any financing statements under the UCC) as may be reasonably requested by Lender to confirm the Lien of the Security Instrument on any Building Equipment, Operating Asset or any Intangible). Borrower agrees that it shall, upon request, reasonably cooperate with Lender in connection with any request by Lender to sever the Note into two (2) or more separate substitute notes in an aggregate principal amount equal to the Principal Amount and to reapportion the Loan among such separate substitute notes, including, without limitation, by executing and delivering to Lender new substitute notes to replace the Note, amendments to or replacements of existing Loan Documents to reflect such severance and/or Opinions of Counsel with respect to such severed notes, substitute notes, amendments and/or replacements, provided that Borrower shall bear no costs or expenses in connection therewith (other than administrative costs and expenses of Borrower). Any such substitute notes may have varying principal amounts and economic terms, provided, however, that (i) the maturity date and anticipated repayment date of any such substitute note shall be the same as the scheduled Maturity Date and scheduled Anticipated Repayment Date of the Note immediately prior to the issuance of such substitute notes, (ii) the substitute notes shall provide for amortization of the Principal Amount on a

weighted average basis over a period not less than the amortization period provided under the Note, if any, immediately prior to the issuance of such substitute notes, (iii) the weighted average Applicable Interest Rate for the term of the substitute notes shall not exceed the Applicable Interest Rate under the Note immediately prior to the issuance of such substitute notes, (iv) the economics of the Loan (or severed portions thereof), taken as a whole, shall not change in a manner which is adverse to Borrower and (v) the entering into of such substitute notes shall not materially adversely affect Borrower's (or any of its Affiliates') tax, REIT or ERISA treatment. Upon the occurrence and during the continuance of an Event of Default, Lender may apply payment of all sums due under such substitute notes in such order and priority as Lender shall elect in its sole and absolute discretion.

(b) In addition, Borrower shall, at Borrower's sole cost and expense:

(i) execute and deliver to Lender such documents, instruments, certificates, assignments and other writings, and do such other acts necessary to evidence, preserve and/or protect the collateral at any time securing or intended to secure the obligations of Borrower under the Loan Documents, as Lender may reasonably require; and

(ii) do and execute all and such further lawful and reasonable acts, conveyances and assurances for the carrying out of the terms and conditions of this Agreement and the other Loan Documents, as Lender shall reasonably require from time to time.

5.1.12 Mortgage Taxes. Borrower shall pay all present and future stamp or documentary and other taxes, charges, filing, registration and recording fees (including mortgage recording tax) and similar levies payable with respect to the Note or the Liens created or secured by the Loan Documents. Nothing contained in this Agreement shall be construed to require Borrower to pay any tax, assessment, levy or charge imposed on (i) any Tenant occupying any portion of the Property, (ii) any third party manager of the Property, including any Manager or (iii) Lender in the nature of a capital levy, income, franchise, estate, inheritance, succession, excise, gains, income or net revenue or similar tax or any transfer tax imposed on Lender in connection with an assignment of the Loan pursuant to Article XV. Lender shall give Borrower prompt notice of any demand on Lender by any Governmental Authority for payment thereof.

5.1.13 Operation. If the Existing Citibank Lease is no longer in effect, then Borrower shall, and shall cause Manager to, (i) promptly perform and/or observe in all material respects all of the covenants and agreements required to be performed and observed by it under any Management Agreement and do all things necessary to preserve and to keep unimpaired its material rights thereunder, (ii) promptly notify Lender of any "event of default" under any Management Agreement of which it is aware, and (iii) enforce in a commercially reasonable manner the performance and observance of all of the covenants and agreements required to be performed and/or observed by the Manager under any Management Agreement in all material respects.

5.1.14 Business and Operations. Borrower shall continue to engage in the businesses presently conducted by it as and to the extent the same are necessary for the ownership, maintenance, management and operation of the Property. Borrower shall qualify to do business and shall remain in good standing under the laws of the State in which the Property is located and as and to the extent required for the ownership, maintenance, management and operation of the Property.

5.1.15 Title to the Property. Borrower shall warrant and defend (a) its title to the Property and every part thereof, subject only to Liens permitted hereunder (including Permitted Encumbrances) and (b) the validity and priority of the Liens of the Security Instrument, the Assignment of Leases and this Agreement on the Property, subject only to Liens permitted hereunder (including Permitted Encumbrances), in each case against the claims of all Persons whomsoever. Borrower shall reimburse Lender for any losses, costs, damages or expenses (including reasonable attorneys' fees and court costs) incurred by Lender if an interest in the Property, other than as permitted hereunder, is claimed by another Person.

5.1.16 Costs of Enforcement. In the event (a) that this Agreement or the Security Instrument is foreclosed upon in whole or in part or that this Agreement or the Security Instrument is put into the hands of an attorney for collection, suit, action or foreclosure, (b) of the foreclosure of any security agreement prior to or subsequent to this Agreement in which proceeding Lender is made a party, or a mortgage prior to or subsequent to the Security Instrument in which proceeding Lender is made a party, or (c) of the bankruptcy, insolvency, rehabilitation or other similar proceeding in respect of Borrower or any of its constituent Persons or an assignment by Borrower or any of its constituent Persons for the benefit of its creditors, Borrower, its successors or assigns, shall be chargeable with and agrees to pay all costs of collection and defense, including reasonable attorneys' fees and costs, incurred by Lender or Borrower in connection therewith and in connection with any appellate proceeding or post-judgment action involved therein, together with all required service or use taxes.

5.1.17 Estoppel Statement.

(a) Borrower shall, from time to time, upon thirty (30) days' prior written request from Lender, execute, acknowledge and deliver to Lender an Officer's Certificate stating that this Agreement and the other Loan Documents are unmodified and in full force and effect (or, if there have been modifications, that this Agreement and the other Loan Documents are in full force and effect as modified and setting forth such modifications), stating the last day to which interest has been paid and the outstanding principal amount of the Note and containing such other information with respect to Borrower, the Property and the Loan as Lender shall reasonably request. Such Officer's Certificate shall also state, to the signing party's knowledge, either that no Default exists hereunder or, if any Default shall exist hereunder, specify such Default and the steps being taken to cure such Default.

(b) Borrower shall use commercially reasonable efforts (but in no event shall Borrower be required to incur any liability or out-of-pocket expense, waive any rights or modify any agreement in order to obtain the same, nor shall Borrower be required to send any notice of default or bring any action to cause the same to occur) to deliver to Lender, within fifteen (15) Business Days of Lender's request (which shall not be made more frequently than three (3) times in any Fiscal Year) (i) during the term of the Citibank Lease, an estoppel certificate from the Citibank Tenant as required under Article 30 of the Citibank Lease and (ii) tenant estoppel certificates from each other Tenant leasing space at the Property from time to time in substantially the form of Exhibit F attached hereto.

(c) Provided no Event of Default has occurred and is continuing, Lender shall, from time to time, upon thirty (30) days' prior written request from Borrower, execute, acknowledge and deliver to Borrower a certificate of an authorized officer of Lender stating that this Agreement and the other Loan Documents are unmodified and in full force and effect (or, if there have been modifications, that this Agreement and the other Loan Documents are in full force and effect as modified and setting forth such modifications), stating the amount of accrued and unpaid interest and the outstanding principal amount of the Note and containing such other information with respect to the Loan Documents as Borrower shall reasonably request.

5.1.18 Loan Proceeds. Borrower shall use the proceeds of the Loan received by it on the Closing Date only for the purposes set forth in Section 2.1.4.

5.1.19 No Joint Assessment. Borrower shall not suffer, permit or initiate the joint assessment of the Property (a) with any other real property constituting a tax lot separate from the Property and (b) which constitutes real property with any portion of the Property which may be deemed to constitute personal property, or any other procedure whereby the lien of any taxes which may be levied against such personal property shall be assessed or levied or charged to such real property portion of the Property.

5.1.20 No Further Encumbrances. Borrower shall do, or cause to be done, all things necessary to keep and protect the Property and all portions thereof unencumbered from any Liens, easements or agreements granting rights in or restricting the use or development of the Property, except for (a) Permitted Encumbrances and (b) Liens permitted pursuant to the Loan Documents.

5.1.21 Reserved.

5.1.22 Leases and REAs. Borrower shall promptly after receipt thereof deliver to Lender a copy of any notice received with respect to the REAs and the Leases claiming that Borrower is in default in the performance or observance of any of the material terms, covenants or conditions of any of the REAs or the Leases.

5.2 Negative Covenants.

From the Closing Date until payment and performance in full of all obligations of Borrower under the Loan Documents or the earlier release of the Lien of this Agreement or the Security Instrument in accordance with the terms of this Agreement and the other Loan Documents, Borrower covenants and agrees with Lender that it will not do, directly or indirectly, any of the following:

5.2.1 Incur Debt. Incur, create or assume any Debt other than Permitted Debt or Transfer (directly or indirectly) or lease all or any part of the Property or any interest therein, except as permitted in the Loan Documents;

5.2.2 Encumbrances. Other than in connection with the Mezzanine Loan, incur, create or assume or permit the incurrence, creation or assumption of any Debt secured by an interest in Borrower, Mezzanine Borrower or any SPE Entity and shall not directly or indirectly Transfer or permit the direct or indirect Transfer of any interest in Borrower, Mezzanine Borrower or any SPE Entity except as permitted pursuant to Article VIII;

5.2.3 Engage in Different Business. Engage, directly or indirectly, in any business other than that of entering into this Agreement and the other Loan Documents to which Borrower is a party and the use, ownership, management, leasing, renovation, financing, development, operation and maintenance of the Property and activities related thereto (collectively, the "Borrower's Business Purposes");

5.2.4 Make Advances. Make advances or make loans to any Person, or hold any investments, except as expressly permitted pursuant to the terms of this Agreement or any other Loan Document (it being acknowledged that the provision of funds to a Tenant for the purpose of funding such Tenant's improvements, moving expenses, furnishings or installations or certain of its costs incurred in connection with such Tenant's leasing of space at the Property does not contradict this Section 5.2.4, notwithstanding that such Tenant's Lease (or related documentation) requires repayment of such funding);

5.2.5 Partition. Partition the Property;

5.2.6 Commingle. Commingle its assets with the assets of any of its Affiliates;

5.2.7 Guarantee Obligations. Guarantee any obligations of any Person;

5.2.8 Transfer Assets. Transfer any asset other than in the ordinary course of business or directly or indirectly Transfer any interest in the Property except as may be permitted hereby or in the other Loan Documents;

5.2.9 Amend Organizational Documents. Amend or modify any of its organizational documents without Lender's consent, other than in connection with any direct or indirect Transfer permitted pursuant to Article VIII or to reflect any change in capital accounts, contributions, distributions, allocations or other provisions that do not and could not reasonably be expected to have a Material Adverse Effect and provided that Borrower and each SPE Entity each remain a Single Purpose Entity;

5.2.10 Dissolve. Dissolve, wind-up, terminate, liquidate, merge with or consolidate into another Person, except as expressly permitted pursuant to this Agreement;

5.2.11 Bankruptcy. (i) File a bankruptcy or insolvency petition or otherwise institute insolvency proceedings, (ii) dissolve, liquidate, consolidate, merge or (except as permitted under Article VIII) sell all or substantially all of Borrower's assets other than in connection with the repayment of the Loan, (iii) engage in any other business activity or (iv) file or solicit the filing of an involuntary bankruptcy petition against Borrower, Manager or any Affiliate of Borrower or Manager, without obtaining the prior consent of all of the members of Borrower, including, without limitation, the Independent Members;

5.2.12 ERISA. Engage in any activity that would subject it to regulation under ERISA or qualify it as an "employee benefit plan" (within the meaning of Section 3(3) of ERISA) to which ERISA applies and Borrower's assets do not and will not constitute plan assets within the meaning of 29 C.F.R. Section 2510.3-101;

5.2.13 Distributions. From and after the occurrence and during the continuance of an Event of Default, make any distributions to or for the benefit of any of its partners or members or its or their Affiliates;

5.2.14 Manager. This Section 5.2.14 shall only apply after the Existing Citibank Lease is no longer in effect.

(a) Borrower shall not, without the prior written consent of Lender, which consent shall not be unreasonably withheld or delayed (provided, if a Securitization shall have occurred, Borrower obtains a Rating Agency Confirmation with respect to such action): (i) materially modify, change, supplement, alter or amend any Management Agreement or waive or release any of its right and remedies under any Management Agreement that would have a Material Adverse Effect or (ii) replace any Manager with a Person other than a Qualified Manager;

(b) Borrower shall notify Lender in writing (and shall deliver a copy of the proposed management agreement) of any entity proposed to be designated as a Qualified Manager of the Property not less than twenty (20) days before such Qualified Manager, begins to manage the Property;

(c) If (a) an Event of Default has occurred and is continuing or (b) any Manager shall become insolvent, Borrower shall, at the request of Lender, terminate the applicable Management Agreement and replace such Manager with a Qualified Manager in accordance with this Section 5.2.14 and shall deliver an acceptable Non-Consolidation Opinion covering such replacement Manager if such Person (i) is not covered by the Non-Consolidation Opinion or an Additional Non-Consolidation Opinion, and (ii) is an Affiliate of Borrower; and

(d) Upon the retention of a Qualified Manager, Lender, and if a Securitization shall have occurred, the Rating Agencies, shall have the right to approve any new management agreement with such Qualified Manager (which approval by Lender shall not be unreasonably withheld or delayed). In the event that the Qualified Manager is RANY Management Group, Inc., a Delaware corporation, or any Person directly or indirectly Controlled by Sponsor, then Lender hereby approves the form of management agreement attached hereto as Exhibit J.

5.2.15 Citibank Lease. Without the prior consent of Lender, send the Citibank Tenant written notice of its election to end the term of the Citibank Lease pursuant to the Citibank Lease.

5.2.16 Modify REAs. Without the prior consent of Lender, which shall not be unreasonably withheld, delayed or conditioned, Borrower shall not execute modifications to the REAs;

5.2.17 Modify Account Agreement. Without the prior consent of Lender, which shall not be unreasonably withheld, delayed or conditioned (and if a Securitization shall have occurred, a Rating Agency Confirmation obtained by Borrower), Borrower shall not execute any modification to the Account Agreement;

5.2.18 Zoning Reclassification. Subject to the rights of the Citibank Tenant under the Citibank Lease, without the prior written consent of Lender, (a) initiate or consent to any zoning reclassification of any portion of the Property, (b) seek any variance under any existing zoning ordinance that could result in the use of the Property becoming a non-conforming use under any zoning ordinance or any other applicable land use law, rule or regulation, or (c) allow any portion of the Property to be used in any manner that could result in the use of the Property becoming a non-conforming use under any zoning ordinance or any other applicable land use law, rule or regulation;

5.2.19 Change of Principal Place of Business. To the extent the same would affect the effect, perfection and priority of the security interest of Lender hereunder in the Account Collateral at any time, change its principal place of business and chief executive office set forth on the first page of this Agreement without first giving Lender thirty (30) days' prior written notice (but in any event, within the period required pursuant to the UCC) and there shall have been taken such action, reasonably satisfactory to Lender, as may be necessary to maintain fully the effect, perfection and priority of the security interest of Lender hereunder in the Account Collateral at all times;

5.2.20 Debt Cancellation. Cancel or otherwise forgive or release any material claim or debt owed to it by any Person, except for adequate consideration or in the ordinary course of its business and except for termination of a Lease as permitted by Section 8.8;

5.2.21 Misapplication of Funds. Distribute any revenue from the Property or any Proceeds in violation of the provisions of this Agreement, fail to remit amounts to the Collection Account or Holding Account, as applicable, as required by Section 3.1, misappropriate any security deposit or portion thereof or apply the proceeds of the Loan in violation of Section 2.1.4; or

5.2.22 Single Purpose Entity. Fail to be a Single Purpose Entity or take or suffer any action or inaction the result of which would be to cause it or any SPE Entity to cease to be a Single Purpose Entity.

VI. INSURANCE; CASUALTY; CONDEMNATION; RESTORATION

6.1 Insurance Coverage Requirements. Borrower shall, at its sole cost and expense, keep or cause to be kept in full force and effect insurance coverage of the types and minimum limits as follows (and to the extent the Citibank Lease requires insurance coverage exceeding the minimum requirements set forth herein, in accordance with such specific Citibank Lease requirement) during the term of this Agreement; provided that for so long as the Existing Citibank Lease is in effect, (i) the insurance coverages required in the Existing Citibank Lease as of the date hereof shall be deemed to satisfy the requirements of Section 6.1.11, (ii) the insuring of the Property by the Citibank Tenant pursuant to the Existing Citibank Lease (or, if the Citibank Tenant is in default of its obligations to insure the Property under the Existing Citibank Lease, by Borrower in lieu thereof; provided, however, that in such instance Borrower shall nevertheless still be required to provide any certificates of insurance and other deliverables required to be delivered to Lender pursuant to this Section 6.1) shall be deemed to satisfy any obligation of Borrower to insure the Property pursuant to Section 6.1.11, (iii) for so long as (x)

the Citibank Tenant (or, if the Citibank Tenant is in default of its obligations to insure the Property under the Existing Citibank Lease, Borrower in lieu thereof; provided, however, that in such instance Borrower shall nevertheless still be required to provide any certificates of insurance and other deliverables required to be delivered to Lender pursuant to this Section 6.1) is insuring the Property in accordance with the requirements of the Existing Citibank Lease, (y) the Citibank Tenant has elected to self insure (Borrower and Lender acknowledging that such election is currently in effect) and the Rating Threshold (as defined in the Existing Citibank Lease) is satisfied or (z) the Citibank Tenant has elected to self insure and the Rating Threshold is not satisfied, but a period of not more than thirty (30) days has passed since the Rating Threshold ceases to be satisfied (it being agreed that the passing of such thirty (30) day period shall not be deemed to extend the thirty (30) day period set forth in Section 17.1(a)(iii)(A) hereof), then Borrower shall not be required to comply with any of its obligations under Section 6.1.1 through 6.1.14 below (except for those obligations set forth in the second sentence of Section 6.1.10 and in Section 6.1.12) and (iv) Lender shall not exercise any of its rights under the second to last sentence of Section 6.1.11 unless an Event of Default shall have occurred and be continuing or the Citibank Tenant shall have exercised the Insurance Election (as defined in the Existing Citibank Lease):

6.1.1 Property Insurance. Insurance against loss customarily included under so called "All Risk" policies including flood (subject to reasonable sublimits), earthquake (subject to reasonable sublimits), vandalism, and malicious mischief and such other insurable hazards as, under good insurance practices, from time to time are insured against for other property and buildings similar to the Improvements and Building Equipment in nature, use, location, height, and type of construction. Such insurance policy shall also insure the additional expense of demolition and if any of the Improvements or the use of the Property shall at any time constitute legal non-conforming structures or uses, provide coverage for contingent liability from Operation of Building Laws, Demolition Costs and Increased Cost of Construction Endorsements and containing an "Ordinance or Law Coverage" or "Enforcement" endorsement. The amount of such "All Risk" insurance shall be not less than one hundred percent (100%) of the replacement cost value of the Improvements and the Building Equipment. Each such insurance policy shall contain an agreed amount (coinsurance waiver) and replacement cost value endorsement and shall cover, without limitation, all tenant improvements and betterments which Borrower is required to insure in accordance with any Lease. Lender shall be named "Loss Payee" on a "Standard Mortgagee Endorsement" and be provided not less than (i) ten (10) days' advance notice of change in coverage, cancellation or non-renewal as a result of the failure to pay the premium thereunder or (ii) thirty (30) days' advance notice of change in coverage, cancellation or non-renewal in all other instances.

6.1.2 Liability Insurance. "Commercial General Liability" insurance; "Owned" (if any), "Hired" and "Non-Owned Auto Liability"; and "Umbrella Liability" coverage for "Personal Injury", "Bodily Injury", "Death and Property Damage", providing in combination no less than $30,000,000 ($50,000,000 during construction) per occurrence and in the annual aggregate, per location (except during construction). In the event that aggregate limits do not apply on a "per location" basis, then the umbrella limit shall be increased from $30,000,000 to $40,000,000. The policies described in this paragraph shall cover, without limitation: elevators, escalators, independent contractors, "Contractual Liability" (covering, to the maximum extent permitted by law, Borrower's obligation to indemnify Lender as required under this Agreement and "Products and Completed Operations Liability" coverage). All liability insurance shall name Lender as "Additional Insured" either on a specific endorsement or under a blanket endorsement satisfactory to Lender.

6.1.3 Workers' Compensation Insurance. Workers compensation and disability insurance as required by law.

6.1.4 Commercial Rents Insurance. "Commercial rents" insurance in an amount equal to eighteen (18) months actual rental loss plus a twelve (12) month extended period of indemnity endorsement and with a limit of liability sufficient to avoid any co-insurance penalty and to provide Proceeds which will cover the actual loss of profits and rents sustained during the period of at least eighteen (18) months following the date of casualty. Such policies of insurance shall be subject only to exclusions that are acceptable to Lender and, if the Loan is the subject of a Securitization, the Rating Agencies; provided, however, that such exclusions are reasonably consistent with those required for loans similar to the Loan provided herein. Such insurance shall be deemed to include "loss of rental value" insurance where applicable. The term "rental value" means the sum of (A) the total then ascertainable Rents payable under the Leases and (B) the total ascertainable amount of all other amounts to be received by Borrower from third parties which are the legal obligation of Tenants, reduced to the extent such amounts would not be received because of operating expenses not incurred during a period of non-occupancy of that portion of such Property then not being occupied.

6.1.5 Builder's All-Risk Insurance. During any period of repair or restoration, builder's "All-Risk" insurance in an amount equal to not less than the full insurable value of the Property against such risks (including so called "All Risk" perils coverage and collapse of the Improvements to agreed limits as Lender may request, in form and substance acceptable to Lender).

6.1.6 Boiler and Machinery Insurance. Comprehensive boiler and machinery insurance (without exclusion for explosion) covering all mechanical and electrical equipment against physical damage, rent loss and improvements loss and covering, without limitation, all tenant improvements and betterments that Borrower is required to insure pursuant to any Lease on a replacement cost basis. The minimum amount of limits to be provided shall be $10,000,000 per accident.

6.1.7 Flood Insurance. If any portion of the Improvements is located within an area designated as "flood prone" or a "special flood hazard area" (as defined under the regulations adopted under the National Flood Insurance Act of 1968 and the Flood Disaster Protection Act of 1973), flood insurance shall be provided, in an amount not less than the maximum limit of coverage available under the Federal Flood Insurance plan with respect to the Property. Lender reserves the right to require flood insurance in excess of that available under the Federal Flood Insurance plan.

6.1.8 Other Insurance. To the extent generally carried by owners of Comparable Buildings (as defined in the Citibank Lease), at Lender's reasonable request, such other insurance (not including terrorism insurance which is covered by Section 6.1.14) with respect to the Property against loss or damage of the kinds from time to time customarily insured against and in such amounts as are generally required by institutional lenders on loans of similar amounts and secured by properties comparable to, and in the general vicinity of, the Property.

6.1.9 Ratings of Insurers. Borrower shall maintain the insurance coverage described in Section 6.1.1 through Section 6.1.8 above, in all cases, with one or more insurers having a claims-paying-ability and financial strength ratings by S&P of not less than "BBB" and its equivalent by the other Rating Agencies (provided that the primary provider of insurance and at least 75% of all insurers shall have a financial strength rating by S&P of not less than "A-") or otherwise acceptable to Lender in its sole discretion. All insurers providing insurance required by this Agreement shall be authorized to issue insurance in the State.

6.1.10 Form of Insurance Policies; Endorsements. All insurance policies shall be in such form and with such endorsements as are reasonably satisfactory to Lender (and Lender shall have the right to approve all loss payees thereunder). A certificate of insurance with respect to all of the above-mentioned insurance policies has been delivered to Lender and, during the period from and after the date hereof and up to the date of the expiration or earlier termination of the Existing Citibank Lease, Borrower shall make available all certificates of insurance or copies of such policies as are provided to it pursuant to the Existing Citibank Lease, if any. From and after the expiration or earlier termination of the Existing Citibank Lease, Borrower shall make all originals or certified copies of all such policies available for Lender's review in New York City when the same are normally and customarily available following the date of such expiration or termination. All policies (other than a policy which solely relates to worker's compensation) shall name Lender as an additional insured, shall provide that all Proceeds (except with respect to Proceeds of general liability and workers' compensation insurance) be payable to Lender as and to the extent set forth in Section 6.2, and shall contain: (i) a standard "non-contributory mortgagee" endorsement or its equivalent relating, inter alia, to recovery by Lender notwithstanding the negligent or willful acts or omissions of Borrower; (ii) a waiver of subrogation endorsement in favor of Lender; (iii) an endorsement providing that no policy shall be impaired or invalidated by virtue of any act, failure to act, negligence of, or violation of declarations, warranties or conditions contained in such policy by Borrower, Lender or any other named insured, additional insured or loss payee, except for the willful misconduct of Lender knowingly in violation of the conditions of such policy; (iv) a deductible per loss of an amount not more than that which is customarily maintained by prudent owners of properties with a standard of operation and maintenance comparable to and in the general vicinity of the Property, but in no event in excess of an amount reasonably acceptable to Lender; provided, however, that any such deductible which does not exceed $50,000 shall automatically be deemed to be acceptable to Lender; and (v) a provision that such policies shall not be canceled, terminated or expire without at least thirty (30) days' prior written notice to Lender, in each instance (provided that in the event any such cancellation, termination or expiration is due to the failure to pay the premium under such policies, then Lender shall only be entitled to ten (10) days' prior written notice thereof). Each insurance policy shall contain a provision whereby the insurer (1) waives any right to claim any premiums and commissions against Lender, provided that the policy need not waive the requirement that the premium be paid in order for a claim to be paid to the insured and (2) provides that (except in the case of any blanket insurance policy maintained by Borrower pursuant to Section 6.1.13) Lender at its option, shall be permitted to make payments to effect the continuation of such policy upon notice of cancellation due to non-payment of premiums. In the event any insurance policy (except for general public and other liability and workers

compensation insurance) shall contain breach of warranty provisions, such policy shall provide that with respect to the interest of Lender, such insurance policy shall not be invalidated by and shall insure Lender regardless of (A) any act, failure to act or negligence of or violation of warranties, declarations or conditions contained in such policy by any named insured, (B) the occupancy or use of the Property for purposes more hazardous than permitted by the terms thereof or (C) any foreclosure or other action or proceeding taken by Lender pursuant to any provision of this Agreement.

6.1.11 Certificates. If the Existing Citibank Lease shall no longer be in full force and effect and/or the Citibank Tenant has exercised the Insurance Election (as defined in the Existing Citibank Lease), then Borrower shall deliver to Lender annually, concurrently with the renewal of the insurance policies required hereunder, an Officer's Certificate stating, to the best of the signer's knowledge, that the insurance policies required to be delivered to Lender pursuant to this Section 6.1 are maintained with insurers who comply with the terms of Section 6.1.9, setting forth a schedule describing all premiums required to be paid by Borrower to maintain the policies of insurance required under this Section 6.1, and stating that Borrower has paid such premiums. Certificates of insurance with respect to all replacement policies shall be delivered to Lender not less than ten (10 Business Days prior to the expiration date of any of the insurance policies required to be maintained hereunder which certificates shall bear notations evidencing payment of applicable premiums. Borrower shall deliver to Lender originals or certified copies or (unless otherwise required by the Rating Agencies) abstracts of such replacement insurance policies on or before ten (10) days after Borrower's receipt thereof. If Borrower fails to maintain and timely deliver to Lender the certificates of insurance and certified copies or originals (or abstracts, unless otherwise required by the Rating Agencies) required by this Agreement, upon five (5) Business Days' prior notice to Borrower, Lender may procure such insurance, and all costs thereof (and interest thereon at the Default Rate) shall be added to the Indebtedness. Lender shall not, by the fact of approving, disapproving, accepting, preventing, obtaining or failing to obtain any insurance, incur any liability for or with respect to the amount of insurance carried, the form or legal sufficiency of insurance contracts, solvency of insurance companies, or payment or defense of lawsuits, and Borrower hereby expressly assumes full responsibility therefor and all liability, if any, with respect to such matters.

6.1.12 Separate Insurance. Borrower shall not take out separate insurance contributing in the event of loss with that required to be maintained pursuant to this Section 6.1 unless such insurance complies with this Section 6.1.

6.1.13 Blanket Policies. The insurance coverage required under this Section 6.1 may be effected under a blanket policy or policies covering the Property and other properties and assets not constituting a part of the Property; provided that any such blanket policy shall specify, except in the case of public liability insurance, the portion of the total coverage of such policy that is allocated to the Property, and any sublimits in such blanket policy applicable to the Property, which amounts shall not be less than the amounts required pursuant to this Section 6.1 and which shall in any case comply in all other respects with the requirements of this Section 6.1. Upon Lender's request, Borrower shall deliver to Lender an Officer's Certificate setting forth (i) the number of properties covered by such policy, (ii) the location by city (if available, otherwise, county) and state of the properties, (iii) the average square footage of the properties (or the aggregate square footage), (iv) a brief description of the typical construction type included in the blanket policy and (v) such other information as Lender may reasonably request.

6.1.14 Terrorism Insurance. Borrower shall obtain terrorism insurance in such amounts and types of coverage that are commercially available, provided that such amounts and types of coverage are available at commercially reasonable rates (it being agreed that an annual premium not to exceed an amount equal to $1,600,000 shall be deemed to be a commercially reasonable rate) and are consistent with those that are then generally required of, or carried by, owners of Comparable Buildings (as defined in the Citibank Lease) that are Real Estate Investment Trusts and taking into account the tenancy of such buildings (including the Improvements).

6.2 Condemnation and Insurance Proceeds.

6.2.1 Notification. Borrower shall promptly notify Lender in writing upon obtaining knowledge of (i) the institution of any proceedings relating to any Taking (whether material or immaterial) of, or (ii) the occurrence of any casualty, damage or injury to, the Property or any portion thereof, the restoration of which is estimated by Borrower in good faith to cost more than the Casualty Amount. In addition (unless the Existing Citibank Lease is in full force effect), each such notice shall set forth, if then readily determinable, such good faith estimate of the cost of repairing or restoring such casualty, damage, injury or Taking in reasonable detail if the same is then available and, if not, as soon thereafter as it can reasonably be provided.

6.2.2 Proceeds. In the event of any Taking of or any casualty or other damage or injury to the Property, Borrower's right, title and interest in and to all compensation, awards, proceeds, damages, claims, insurance recoveries, causes and rights of action (whether accrued prior to or after the date hereof) and payments (collectively, "Proceeds") with respect to the Property or any part thereof other than payments received in connection with any liability or loss of rental value or business interruption insurance, in connection with any such Taking of, or casualty or other damage or injury to, the Property or any part thereof are hereby assigned by Borrower to Lender and, except as otherwise provided herein or in the Existing Citibank Lease, shall be paid to Lender. Borrower shall, in good faith and in a commercially reasonable manner, file and prosecute the adjustment, compromise or settlement of any claim for Proceeds (other than Proceeds which are payable to the Citibank Tenant pursuant to the Existing Citibank Lease) and, subject to Borrower's right to receive the direct payment of any Proceeds as herein provided and the Citibank Tenant's right to such Proceeds under the Existing Citibank Lease, will cause the same to be paid directly to Lender to be held and applied in accordance with the provisions of this Agreement. Except upon the occurrence and during the continuance of an Event of Default, Borrower may settle any insurance claim with respect to Proceeds which does not exceed the Casualty Amount; provided that the foregoing shall (i) not limit Borrower's obligation to cooperate with any adjustment or settlement of insurance claims as required by Section 19.05 of the Existing Citibank Lease or (ii) be subject to the Citibank Tenant's right to seven (7) days' advance notice of any party Borrower desires to name as an additional insured pursuant to Section 9.03 of the Existing Citibank Lease. If the Existing Citibank Lease shall no longer be in full force and effect and/or the Citibank Tenant has exercised the Insurance Election (as defined in the Existing Citibank Lease), whether or not an Event of Default shall have occurred and be continuing, Lender shall have the right to approve, such approval not to be unreasonably withheld or delayed, any settlement which might result in any Proceeds in excess of the Casualty

Amount and Borrower shall deliver or cause to be delivered to Lender all instruments reasonably requested by Lender to permit such approval (it being agreed that Lender shall not have the right to settle or adjust any claim except after the occurrence and during the continuance of an Event of Default). Borrower shall pay all reasonable out-of-pocket costs, fees and expenses reasonably incurred by Lender (including all reasonable attorneys' fees and expenses, the reasonable fees of insurance experts and adjusters and reasonable costs incurred in any litigation or arbitration), and interest thereon at the Default Rate to the extent not paid within fifteen (15) Business Days after delivery of a request for reimbursement by Lender (together with evidence reasonably required to establish same), in connection with the settlement of any claim for Proceeds and seeking and obtaining of any payment on account thereof in accordance with the foregoing provisions. If any Proceeds are received by Borrower and may be retained by Borrower pursuant to this Section 6.2 (and are not required to be paid to the Citibank Tenant under the terms of the Existing Citibank Lease), such Proceeds shall, until the completion of the related Work, be held in trust and shall be segregated from other funds of Borrower to be used to pay for the cost of the Work in accordance with the terms hereof, and in the event such Proceeds exceed the Casualty Amount, such Proceeds shall be forthwith paid directly to and held by Lender in the Proceeds Reserve Account in trust for Borrower, to be applied or disbursed in accordance with this Section 6.2, subject to the terms of Existing Citibank Lease. If (A) an Event of Default shall have occurred and be continuing or (B) unless Borrower is acting in good faith and keeps Lender regularly advised as to the status of such claim, Borrower fails to file and/or prosecute any insurance claim for a period of twenty (20) Business Days following Borrower's receipt of written notice from Lender, Borrower hereby irrevocably empowers Lender, in the name of Borrower as its true and lawful attorney-in-fact, to file and prosecute such claim (including settlement thereof), but not a claim with respect to which proceeds are required to be paid to the Citibank Tenant pursuant to the Existing Citibank Lease, with counsel satisfactory to Lender and to collect and to make receipt for any such payment, all at Borrower's expense (including payment of interest at the Default Rate for any amounts advanced by Lender pursuant to this Section 6.2). Notwithstanding anything to the contrary set forth in this Agreement (but subject to the terms of the Existing Citibank Lease), however, and excluding situations requiring prepayment of the Note, to the extent any Proceeds (either singly or when aggregated with all other then unapplied Proceeds with respect to the Property) do not exceed the Casualty Amount, such Proceeds are to be paid directly to Borrower to be applied to restoration of the Property in accordance with the terms hereof (except that Proceeds paid in respect of the insurance described in Section 6.1.4 or for a temporary taking shall be deposited directly to the Collection Account as revenue of the Property).

6.2.3 Lender to Take Proceeds.

(a) Subject to the terms of the Existing Citibank Lease, if (i) the Proceeds (other than any amounts to which the Citibank Tenant is entitled under the Existing Citibank Lease) shall equal or exceed the Principal Amount, (ii) a Monetary Default or an Event of Default shall have occurred and be continuing (it being agreed, however, that if a Monetary Default has occurred and is continuing (but not an Event Default), Lender may not apply the Proceeds to the Indebtedness, but rather shall be entitled to hold the Proceeds in trust until such Monetary Default has been cured or an Event of Default has occurred), (iii) a Total Loss with respect to the Property shall have occurred, (iv) the Work is not capable of being completed before the earlier to occur of the date which is six (6) months prior to the earlier of the Maturity Date and the date

on which the business interruption insurance carried by Borrower with respect to the Property shall expire (the "Cut-Off Date"), unless on or prior to the Cut-Off Date Borrower (x) shall deliver to Lender and there shall remain in effect a binding written offer, subject only to customary conditions, of an Approved Bank or such other financial institution or investment bank reasonably satisfactory to Lender duly authorized to originate loans secured by real property located in the State for a loan from such Approved Bank or such other financial institution or investment bank to Borrower in a principal amount of not less than the then Principal Amount and which shall, in Lender's reasonable judgment, enable Borrower to refinance the Loan prior to the Maturity Date and (y) if a Securitization shall have occurred, shall obtain a Rating Agency Confirmation, (v) the Property is not capable of being restored substantially to its condition prior to such Taking or casualty and such incapacity shall have a Material Adverse Effect, (vi) Leases demising in the aggregate less than 50% of the total rentable space in the Property which has been demised under executed and delivered Leases in effect as of the date of the occurrence of such fire or other casualty remain in full force and effect during and after the completion of the restoration and (vii) Lender determines that upon the completion of the restoration, the gross cash flow and the net cash flow of the Property will not be restored to a level sufficient to cover all carrying costs and operating expenses of the Property, including, without limitation, debt service on the Note at a coverage ratio (after deducting all required reserves as required by Lender from net operating income) of at least 1.5 to 1.0, which coverage ratio shall be determined by Lender in its sole and absolute discretion; then in any such case, all Proceeds shall be paid over to Lender (if not paid directly to Lender) and any Proceeds remaining after reimbursement of Lender's or its agent's reasonable out-of-pocket costs and expenses actually incurred in connection with recovery of any such Proceeds (including, without limitation, reasonable out-of-pocket administrative costs and inspection fees) may be applied by Lender in its sole discretion to prepay the Note in accordance with the provisions thereof, and the balance, if any, if so provided in the Mezzanine Loan Agreement, shall be paid to Mezzanine Lender to be applied pursuant to the terms of the Mezzanine Loan Agreement (or if no Mezzanine Loan is outstanding, or it does not provide for such application, to Borrower).

(b) In the event that Lender elects to apply the Proceeds to prepay the Note pursuant to Section 6.2.3(a) above and such Proceeds are less than the Principal Amount outstanding as of the date of prepayment, then Borrower may, in Borrower's discretion on prior written notice to Lender, prepay the remaining balance of the Principal Amount, without premium or penalty, in accordance with the provisions of the Note on the Payment Date on which Lender shall apply such Proceeds to prepayment of the Principal Amount or any Payment Date thereafter.

6.2.4 Borrower to Restore.

(a) Subject to the terms of the Existing Citibank Lease, promptly after the occurrence of any damage or destruction to all or any portion of the Property or a Taking of a portion of the Property, Borrower shall commence and diligently prosecute, or cause to be commenced and diligently prosecuted, to completion, subject to Excusable Delays (or, if such restoration is being performed by the Citibank Tenant under the Existing Citibank Lease, subject to Force Majeure Causes (as defined in the Existing Citibank Lease)), the repair, restoration and rebuilding of the Property (in the case of a partial Taking, to the extent it is capable of being restored) so damaged, destroyed or remaining after such Taking in full compliance with all material Legal Requirements and free and clear of any and all Liens except Permitted Encumbrances (such

repair, restoration and rebuilding are sometimes hereinafter collectively referred to as the "Work"). The plans and specifications shall require that the Work be done in a first-class workmanlike manner at least equivalent to the quality and character prior to the damage or destruction, subject to changes thereto necessitated by Legal Requirements (provided, however, that in the case of a partial Taking, the Property restoration shall be done to the extent reasonably practicable after taking into account the consequences of such partial Taking), so that upon completion thereof, the Property shall be at least equal in value and general utility to the Property prior to the damage or destruction; it being understood, however, that Borrower shall not be obligated to restore the Property to the precise condition of the Property prior to any partial Taking of, or casualty or other damage or injury to, the Property, if the Work actually performed, if any, or failed to be performed, shall have no Material Adverse Effect on the value of the Property from the value that the Property would have had if the same had been restored to its condition immediately prior to such Taking or casualty. Subject to Borrower's rights pursuant to Section 2.3.3 to cause the Property to be released from the Lien of the Security Instrument, and subject to the terms of the Existing Citibank Lease, Borrower shall be obligated to restore the Property suffering a casualty or which has been subject to a partial Taking in accordance with the provisions of this Section 6.2 at Borrower's sole cost and expense whether or not the Proceeds shall be sufficient, provided that, if applicable, the Proceeds shall be made available to Borrower by Lender in accordance with this Agreement. Notwithstanding the foregoing, in the event that the Citibank Tenant is obligated to restore the Property pursuant to the Existing Citibank Lease, then (i) the restoration of the Property by the Citibank Tenant as required by the Existing Citibank Lease shall be deemed to satisfy the requirements of this Section 6.2.4(a) (it being agreed that the foregoing shall not be deemed to limit the rights of the Citibank Tenant to make alterations to the Property in accordance with the terms of the Existing Citibank Lease) and (ii) Borrower shall not have any obligation to restore the Property to any greater condition which is required by this Section 6.2.4(a).

(b) If Proceeds are not required to be (A) applied toward payment of the Indebtedness pursuant to the terms hereof, (B) delivered to the Citibank Tenant pursuant to the terms of the Existing Citibank Lease or (C) delivered to Borrower if required pursuant to Section 6.2.2, then Lender shall make the Proceeds which it is holding pursuant to the terms hereof (after payment of any reasonable out-of-pocket expenses actually incurred by Lender in connection with the collection thereof plus interest thereon at the Default Rate (from the date advanced through the date of reimbursement) to the extent the same are not paid within ten (10) Business Days after request for reimbursement by Lender, together with evidence reasonably required to establish the same) available to Borrower for payment of or reimbursement of Borrower's or the applicable Tenant's expenses incurred with respect to the Work, upon the terms and subject to the conditions set forth in paragraphs (i), (ii) and (iii) below and in Section 6.2.5:

(i) at the time of disbursement, there shall be no continuing Monetary Default or Event of Default;

(ii) if, at any time, the estimated cost of the Work (as estimated by the Independent Architect referred to in clause (iii) below) shall exceed the Proceeds (a "Deficiency") and for so long as a Deficiency shall exist, Lender shall not be required to make any Proceeds disbursement to Borrower unless Borrower (within a reasonable period of time after receipt of such estimate), at its election, either deposits with or delivers to Lender (A) Cash

and Cash Equivalents or a Letter or Letters of Credit in an amount equal to the estimated cost of the Work less the Proceeds available (which Cash and Cash Equivalents shall be applied in the same manner as Proceeds so that the same will be available for restoration), or (B) such other evidence of Borrower's ability to meet such excess costs and which is satisfactory to Lender and the Rating Agencies;

(iii) Subject to the terms of the Existing Citibank Lease, each of Lender and the Independent Architect shall have reasonably approved (or, in the case of the Existing Citibank Lease, shall have been provided for informational purposes to the extent the same are provided to Borrower) the plans and specifications for the Work and any change orders in connection with such plans and specifications (but excluding minor field changes); it being agreed that if Lender does not approve such plans and specifications within five (5) Business Days after Lender's receipt thereof, then Lender shall be deemed to have approved same; and

(iv) Lender shall, within a reasonable period of time prior to request for initial disbursement (except in the case of an emergency), be furnished with an estimate of the cost of the Work accompanied by an Independent Architect's certification as to such costs and appropriate plans and specifications for the Work. Borrower shall restore all Improvements such that when they are fully restored and/or repaired, such Improvements and their contemplated use fully comply with all applicable Legal Requirements including zoning, environmental and building laws, codes, ordinances and regulations.

6.2.5 Disbursement of Proceeds.

(a) Subject to the terms of the Existing Citibank Lease, disbursements of the Proceeds in Cash or Cash Equivalents to Borrower hereunder shall be made from time to time (but not more frequently than once in any month) by Lender but only for so long as no Monetary Default or Event of Default shall have occurred and be continuing, as the Work progresses upon receipt by Lender of (i) an Officer's Certificate dated not more than ten (10) Business Days prior to the application for such payment, requesting such payment or reimbursement and describing the Work performed that is the subject of such request, the parties that performed such Work and the actual cost thereof, and also certifying that such Work and materials are or, upon disbursement of the payment requested to the parties entitled thereto, will be free and clear of Liens other than Permitted Encumbrances, (ii) evidence reasonably satisfactory to Lender that (A) all materials installed and work and labor performed in connection with such Work for which payment is required have been paid for in full or will be so paid upon the making of such disbursement and (B) there exists no notices of pendency, stop orders, mechanic's liens or notices of intention to file same (unless the same is required by State law as a condition to the payment of a contractor) or any liens or encumbrances of any nature whatsoever on the Property arising out of the Work which have not been either fully bonded to the satisfaction of Lender or discharged of record or in the alternative, fully insured to the satisfaction of Lender by the Title Company that issued the Title Policy and (iii) an Independent Architect's certificate certifying performance of the Work together with an estimate of the cost to complete the Work. Except with respect to payments made by the Citibank Tenant in connection with any restoration of the Property pursuant to the Existing Citibank Lease, no payment made prior to the final completion of the Work, as certified by the Independent Architect, except for payment made to contractors whose Work shall have been fully completed and from which final lien waivers have been

received, shall exceed ninety-five percent (95%) of the value of the Work performed and materials furnished and incorporated into the Improvements from time to time, and at all times the undisbursed balance of said Proceeds together with all amounts deposited, bonded, guaranteed or otherwise provided for pursuant to Section 6.2.4(b) above, shall be at least sufficient to pay for the estimated cost of completion of the Work; final payment of all Proceeds remaining with Lender shall be made upon receipt by Lender of a certification by an Independent Architect, as to the completion of the Work substantially in accordance with the submitted plans and specifications and final lien releases, as certified pursuant to an Officer's Certificate, and delivery of a certificate of occupancy with respect to the Work, or, if not applicable, an Officer's Certificate to the effect that a certificate of occupancy is not required.

(b) Subject to the terms of the Existing Citibank Lease, if, after the Work is completed in accordance with the provisions hereof and Lender receives evidence that all costs of completion have been paid, there are excess Proceeds, Lender shall apply such excess Proceeds with respect to the Taking of or casualty to the Property to the payment or prepayment of all or any portion of the Indebtedness secured hereby without penalty or premium.

VII. IMPOSITIONS, OTHER CHARGES, LIENS AND OTHER ITEMS

7.1 Borrower to Pay Impositions and Other Charges. Borrower shall (A) deliver to Lender annually, no later than fifteen (15) Business Days after the first day of each New York City tax year, and shall update as new information is received, a schedule describing all real estate taxes (including any special assessments), payable or estimated to be payable during such fiscal year attributable to or affecting the Property or Borrower and (B) endeavor to notify Lender of any material increases to any Impositions described in clause (A) above promptly after Borrower has knowledge of same. Subject to Borrower's and the Citibank Tenant's right to contest set forth in Section 7.3, as set forth in the next two sentences, Borrower shall (or shall cause the Citibank Tenant to) pay all Impositions and Other Charges which are now or hereafter levied or assessed or imposed against the Property or any part thereof or Borrower, prior to the date such Impositions or Other Charges shall become delinquent or late charges may be imposed thereon, directly to the applicable taxing authority with respect thereto. Nothing contained in this Agreement shall be construed to require Borrower to pay any tax, assessment, levy or charge imposed on (i) any Tenant occupying any portion of the Property, (ii) any third party manager of the Property, including any Manager or (iii) Lender in the nature of a capital levy, income, franchise, estate, inheritance, succession, excise, gains, income or net revenue or similar tax or any transfer tax imposed on Lender in connection with an assignment of the Loan pursuant to Article XV.

7.2 No Liens. Subject to Borrower's or the Citibank Tenant's right to contest set forth in Section 7.3, Borrower shall at all times keep, or cause to be kept, the Property free from all Liens (other than Permitted Encumbrances) and shall pay when due and payable (or bond over or discharge) all claims and demands of mechanics, materialmen, laborers and others which, if unpaid, might result in or permit the creation of a Lien on the Property or any portion thereof and shall in any event cause the prompt, full and unconditional discharge of all Liens imposed on or against the Property or any portion thereof within forty-five (45) days after receiving written notice of the filing (whether from Lender, the lienor or any other Person) thereof (and during said forty-five (45) day period, the existence of said Lien shall not be deemed to be a Default

hereunder, subject to the other requirements of this Section 7.2). Borrower shall do or cause to be done, at the sole cost of Borrower, everything reasonably necessary to fully preserve the first priority of the Lien of the Security Instrument against the Property, subject to the Permitted Encumbrances. Upon the occurrence and during the continuance of an Event of Default with respect to its Obligations as set forth in this Article VII, Lender may (but shall not be obligated to) make such payment or discharge such Lien, and Borrower shall reimburse Lender on demand for all such advances pursuant to Section 19.12 (together with interest thereon at the Default Rate).

7.3 Contest. Nothing contained herein shall be deemed to require Borrower to pay, or cause to be paid, any Imposition or to satisfy any Lien, or to comply with any Legal Requirement or Insurance Requirement, so long as Borrower is in good faith, and by proper legal proceedings, where appropriate, diligently contesting the validity, amount or application thereof, provided that in each case of a contest by Borrower (as opposed to the Citibank Tenant under the Citibank Lease), at the time of the commencement of any such action or proceeding, and during the pendency of such action or proceeding (i) no Event of Default shall exist and be continuing hereunder, (ii) Borrower shall keep Lender informed of the status of such contest at reasonable intervals, (iii) if the provisions of subclause (z) of clause (iv) below is not applicable and Borrower is not providing security as provided in clause (vi) below, adequate reserves with respect thereto are maintained on Borrower's books in accordance with GAAP, (iv) either (x) such contest operates to suspend collection or enforcement as the case may be, of the contested Imposition, Lien or Legal Requirement and such contest is maintained and prosecuted continuously and with diligence, (y) the Imposition or Lien is paid under protest, bonded, or discharged or (z) the Property or any portion thereof shall not be, in Lender's reasonable judgment, in imminent danger of being forfeited or lost and Lender shall not be likely to be subject to civil damages (unless Lender is sufficiently indemnified) or criminal damages as a result thereof, (v) in the case of any Insurance Requirement, the failure of Borrower to comply therewith shall not impair the validity of any insurance required to be maintained by Borrower under Section 6.1 or the right to full payment of any claims thereunder and (vi) in the case of Impositions and Liens which are not paid under protest, bonded or discharged and which are in excess of $1,500,000 individually, or in the aggregate, during such contest, Borrower, shall deposit with or deliver to Lender either Cash and Cash Equivalents or a Letter or Letters of Credit in an amount equal to 125% of (A) the amount of Borrower's obligations being contested plus (B) any additional interest, charge, or penalty arising from such contest. Notwithstanding the foregoing, the creation of any such reserves or the furnishing of any bond or other security, Borrower promptly shall comply with any contested Legal Requirement or Insurance Requirement or shall pay any contested Imposition or Lien, and compliance therewith or payment thereof shall not be deferred, if, at any time the Property or any portion thereof shall be, in Lender's reasonable judgment, in imminent danger of being forfeited or lost or Lender is likely to be subject to civil damages (unless Lender is sufficiently indemnified) or criminal damages as a result thereof. If such action or proceeding is terminated or discontinued adversely to Borrower, Borrower shall deliver to Lender reasonable evidence of Borrower's compliance with such contested Imposition, Lien, Legal Requirements or Insurance Requirements, as the case may be. Notwithstanding anything to the contrary contained herein, in the event that (and for so long as) the Citibank Tenant is contesting any Imposition, Lien, Legal Requirements or Insurance Requirements in accordance with and as permitted by the terms of the Citibank Lease (which Imposition, Lien, Legal Requirements or Insurance Requirements the Citibank Tenant is

obligated to pay, remove or comply with in accordance with the terms of the Citibank Lease), then the Citibank Tenant's failure to so pay, remove or comply with such Imposition, Lien, Legal Requirements or Insurance Requirements shall be permitted hereunder and the failure to pay, remove or comply with such Imposition, Lien, Legal Requirement or Insurance Requirement shall not constitute a Default hereunder.

VIII. TRANSFERS, INDEBTEDNESS AND SUBORDINATE LIENS

8.1 Restrictions on Transfers. Unless such action is permitted by the provisions of this Article VIII, Borrower shall not, except with the prior written consent of Lender, (i) Transfer all or any part of the Property, (ii) incur any Debt, other than Permitted Debt or Permitted Encumbrances, or (iii) except in connection with the Mezzanine Loan, permit any other Person holding any direct or indirect interest in Borrower to Transfer its direct or indirect interest in Borrower.

8.2 Sale of Building Equipment. Borrower may Transfer or dispose of Building Equipment which is being replaced or which is no longer necessary in connection with the operation of the Property free from the Lien of the Security Instrument provided that such Transfer or disposal will not have a Material Adverse Effect on the value of the Property taken as a whole, will not materially impair the utility of the Property, and will not result in a reduction or abatement of, or right of offset against, the Rents payable under any Lease, in either case as a result thereof, and provided further that any new Building Equipment acquired by Borrower (and not so disposed of) shall be subject to the Lien of the Security Instrument. Lender shall, from time to time, upon receipt of an Officer's Certificate requesting the same and confirming satisfaction of the conditions set forth above, execute a written instrument in form reasonably satisfactory to Lender to confirm that such Building Equipment which is to be, or has been, sold or disposed of is free from the Lien of the Security Instrument.

8.3 Immaterial Transfers and Easements, etc. Borrower may, without the consent of Lender, (i) make immaterial Transfers of portions of the Property to Governmental Authorities for dedication or public use (subject to the provisions of Section 6.2) or, portions of the Property to third parties for the purpose of erecting and operating additional structures whose use is integrated with the use of the Property, and (ii) grant easements, restrictions, covenants, reservations and rights of way and similar encumbrances in the ordinary course of business for access, water and sewer lines, telephone and telegraph lines, electric lines or other utilities or for other similar purposes, provided that no such Transfer set forth in the foregoing clauses (i) and (ii) shall materially impair the utility and operation of the Property or have a Material Adverse Effect (it being agreed that in the event that Lender's approval shall be required with respect to any such Transfer which would not have a Material Adverse Effect, then such approval shall not be unreasonably withheld). Notwithstanding the foregoing, Borrower shall be permitted to grant any easement (a "Citibank Easement") which Borrower is required to grant pursuant to the terms of Article 33 of the Citibank Lease. In connection with any Transfer permitted pursuant to this Section 8.3, Lender shall execute and deliver any instrument reasonably necessary or appropriate, in the case of the Transfers referred to in clause (i) above, to release the portion of the Property affected by such Taking or such Transfer from the Lien of the Security Instrument and to modify the definition of "Property" accordingly or, in the case of clause (ii) above or a Citibank Easement, to subordinate the Lien of the Security Instrument to such easements,

restrictions, covenants, reservations and rights of way or other similar grants upon receipt by Lender of:

(a) twenty (20) days' prior written notice thereof;

(b) a copy of the instrument or instruments of Transfer;

(c) an Officer's Certificate stating (x) with respect to any Transfer, the consideration, if any, being paid for the Transfer and (y) that such Transfer does not materially impair the utility and operation of the Property, materially reduce the value of the Property or have a Material Adverse Effect or is a Citibank Easement; and

(d) reimbursement of all of Lender's reasonable costs and expenses incurred in connection with such Transfer.

8.4 Indebtedness. Borrower shall not incur, create or assume any Debt without the consent of Lender (other than trade payables as permitted pursuant to clause (b) of the definition of "Permitted Debt" herein); provided, however, that if no Event of Default shall have occurred and be continuing, Borrower may, without the consent of Lender, incur, create or assume Permitted Debt.

8.5 Permitted Owner Interest Transfers.

(a) A Transfer (but not a pledge or encumbrance, other than a pledge or encumbrance of not more than forty-nine percent (49%) of the direct or indirect ownership interests in Borrower (either individually or in the aggregate at any one time outstanding), provided that for such purposes, such forty-nine percent (49%) calculation shall not include any Excluded Pledge) of a direct or indirect beneficial interest in Borrower shall be permitted without Lender's consent if (i) in the case of any Transfer of (A) direct interests in Borrower or (B) either individually or in the aggregate with all other related or series of related Transfers (or unrelated Transfers which are intended to circumvent the provisions of this Article VIII) of more than forty-nine percent (49%) of the indirect interests in Borrower, then prior to any such Transfer (unless such Transfer is an Excluded Transfer), Lender receives ten (10) Business Days' prior written notice thereof, (ii) one or more Permitted Owners Control Borrower, (iii) in the case of any Transfer of direct or indirect interests in Borrower other than an Excluded Transfer, immediately prior to such Transfer, no Event of Default shall have occurred and be continuing, (iv) in the event that the Existing Citibank Lease is no longer in effect, a Qualified Manager shall continue to manage the Property after such Transfer, and (v) in the case of any Transfer of direct or indirect interests in Borrower which does not constitute (A) an Excluded Transfer or (B) a Transfer (either individually or in the aggregate with all other related or series of related Transfers (or unrelated Transfers which are intended to circumvent the provisions of this Article VIII)) of more than forty-nine percent (49%) of the direct or indirect interests in Borrower, then prior to such Transfer, all documentation and opinion letters required by Lender and, if the Loan is the subject of a Securitization, the Rating Agencies, shall have been delivered to Lender and, as applicable, to the Rating Agencies (including, but not limited to, a Non-Consolidation Opinion in a form satisfactory to Lender or, if the Loan is the subject of a Securitization, to the Rating Agencies in their sole discretion), provided that in the case of any such documentation and opinion letters

other than a Non-Consolidation Opinion, (1) Lender shall advise Borrower of the documentation and opinion letters so required within ten (10) days after notice of the proposed Transfer is delivered to Lender and (2) such documentation and opinion letters shall not be intended to give Lender or the Rating Agencies an approval right over such Transfer, as opposed to dealing with structural issues, such as substantive consolidation risks. Borrower shall pay all of Lender's reasonable attorneys' fees and costs actually incurred by Lender in connection with any Transfer which is permitted under this Section 8.5(a), which costs and expenses shall be paid within thirty (30) days after receipt of an invoice therefor from Lender (together with such additional information as may be reasonably required to establish same). With respect to the delivery of a Non-Consolidation Opinion as provided above, such Non-Consolidation Opinion shall only be required when then current Rating Agency guidelines require the same and any existing Non-Consolidation Opinions do not already adequately cover such circumstances.

(b) For purposes of this Agreement, the term "Control" means (i) control, directly or indirectly, of the decision-making of a Person (subject to the rights of other owners to participate in significant management decisions) and (ii) the ownership, direct or indirect, of no less than 51% of the equity interests in such Person; and the terms "Controlled", "Controlling" and "Common Control" shall have correlative meanings; it being agreed that Borrower shall be deemed to have satisfied the requirements of Section 8.5(a)(ii) (or any provisions of the Loan Documents where Control by a Permitted Owner is relevant) if one or more Permitted Owners control the decision-making of Borrower under clause (i) above and one or more Permitted Owners (who may or may not be the same Permitted Owners who are controlling the decision-making) in the aggregate own at least 51% of the direct or indirect equity interests in Borrower under clause (ii) above.

(c) Upon any Transfer of a direct or indirect interest in Borrower which is permitted under this Section 8.5 (and which results in a change in the Permitted Owner who then Controls Borrower (even if not all of the Permitted Owners who so Control Borrower have their ownership interest or Control affected thereby), Guarantor shall be released from its obligations under the Recourse Guaranty, provided that a successor principal that is either a Permitted Owner or another creditworthy entity reasonably satisfactory to Lender and, if the Loan is the subject of a Securitization, the Rating Agencies, assumes all of the obligations of Guarantor thereunder with respect to events occurring on or after such Transfer (it being agreed, however, that such Guarantor shall remain liable under the Recourse Guaranty to the extent of any events occurring prior to such Transfer) pursuant to a written assumption agreement and other documentation reasonably satisfactory to Lender and, if the Loan is the subject of a Securitization, the Rating Agencies. Upon the execution and delivery of such written assumption and other documentation, such successor principal shall be deemed to be the "Guarantor" for all purposes of this Agreement and the other Loan Documents, but the foregoing shall not limit the right of the initially named Guarantor hereunder to constitute a Permitted Owner. Provided no Event of Default has occurred and is continuing, Lender shall execute, at Borrower's sole cost and expense, all documents reasonably requested to evidence such release of the prior Guarantor as provided above.

(d) Notwithstanding anything to the contrary contained herein, if a Person that qualified as a Permitted Owner at the time of the Transfer to it (or to a Person in which at the time it owned a direct or indirect interest) of direct or indirect beneficial interests in Borrower permitted under Section 8.5(a) above (or at the time of a Transfer of the Property to a Qualified Successor Borrower in which it owns a direct or indirect interest at the time of such Transfer) subsequently fails to qualify as such, then (i) such failure shall not be deemed to trigger a Default and (ii) the direct or indirect beneficial interests in Borrower owned by such Person immediately prior to the date on which such Person shall cease to be a Permitted Owner (but not any such direct or indirect beneficial interests subsequently acquired by such Person unless such Person shall once again become a Permitted Owner) shall continue to be deemed to be direct or indirect beneficial interests in Borrower owned by a Permitted Owner for purposes of determining whether one or more Permitted Owners "Controls" Borrower under Section 8.5(a)(ii) above.

(e) Notwithstanding anything to the contrary contained herein or in any of the other Loan Documents, nothing contained herein or in any of the other Loan Documents is intended to restrict or limit any Excluded Transfer or Excluded Pledge, and no consent of Lender or the Rating Agencies or fee, notice or deliveries shall be required hereunder or under the other Loan Documents in connection therewith and the consummation or granting thereof shall not constitute a Default or an Event of Default.

8.6 Deliveries to Lender. Not less than ten (10) Business Days prior to the closing of any Transfer which is described in Section 8.4 (but only in the case of Debt other than Permitted Debt for which Lender's consent is requested), 8.5 (other than with respect to any Transfer with respect to which Lender is not entitled to notice pursuant to Section 8.5(a)(i))or 8.7, Borrower shall deliver to Lender an Officer's Certificate describing the proposed Transfer and stating that such Transfer is permitted by this Article VIII. Upon the request of Lender, Borrower shall deliver such other information as Lender may reasonably request to evidence such compliance with this Article VIII. In addition, Borrower shall provide Lender with copies of executed deeds or other similar closing documents within thirty (30) days after such closing.

8.7 Loan Assumption. Notwithstanding anything to the contrary contained herein, in the event that any Qualified Successor Borrower purchases the Property from Borrower, such Transfer shall be permitted hereunder and such Qualified Successor Borrower may assume Borrower's obligations under the Loan without Lender's consent, subject to the provisions of this Section 8.7. Any such Transfer or assumption of the Loan shall be conditioned upon, among other things, (i) the delivery of such evidence as Lender may reasonably request to establish that the purchaser of the Property is a Qualified Successor Borrower (including, if applicable, financial information), (ii) the delivery of evidence that the purchaser is a Single Purpose Entity, (iii) the execution and delivery of all documentation reasonably requested by Lender, (iv) the delivery of Opinions of Counsel reasonably requested by Lender, including, without limitation, a Non-Consolidation Opinion with respect to the purchaser and other entities identified by Lender or requested by the Rating Agencies and opinions with respect to the valid formation, due authority and good standing of the purchaser and the continued enforceability of the Loan Documents and any other matters requested by Lender, (v) the delivery of an endorsement to the Title Policy in form and substance acceptable to Lender, insuring the lien of the Security Instrument, as assumed, subject only to the Permitted Encumbrances or, if such endorsement is not available in the State, a letter from the Title Company certifying that the Transfer to the Qualified Successor Borrower does not affect the validity of the Title Policy or the priority of the Lien of the Security Instrument on the Property, (vi) in the event that the Existing Citibank Lease is no longer in effect, a Qualified Manager shall continue to manage the Property after such

Transfer and (vii) the payment of an assumption fee equal to one-tenth (1/10th) of one percent (0.10%) of the Principal Amount. In connection with any assumption of the Loan which is permitted under this Section 8.7, Guarantor shall be released from its obligations under the Recourse Guaranty, provided that a successor principal that is either a Permitted Owner or another creditworthy entity reasonably satisfactory to Lender and, if the Loan is the subject of a Securitization, the Rating Agencies, assumes all of the obligations of Guarantor thereunder with respect to events occurring on or after such assumption (it being agreed, however, that such Guarantor shall remain liable under the Recourse Guaranty to the extent of any events occurring prior to such assumption) pursuant to a written assumption agreement and other documentation reasonably satisfactory to Lender and, if the Loan is the subject of a Securitization, the Rating Agencies. Upon the execution and delivery of such written assumption and other documentation, such successor principal shall be deemed to be the "Guarantor" for all purposes of this Agreement and the other Loan Documents, but the foregoing shall not limit the right of the initially named Guarantor hereunder to constitute a Permitted Owner. Provided no Event of Default has occurred and is continuing, Lender shall execute, at Borrower's sole cost and expense, all documents reasonably requested to evidence such release of the prior Guarantor as provided above. In addition, Borrower shall pay, within thirty (30) days after the delivery by Lender to Borrower of an invoice therefor, all of Lender's third party processing costs (including, without limitation, reasonable attorneys' fees and costs) actually incurred by Lender in connection with such assumption, which invoice shall be accompanied with such additional information which may be reasonably required to establish same.

8.8 Leases.

8.8.1 New Leases and Lease Modifications. Except as otherwise provided in this Section 8.8, Borrower shall not (x) enter into any Lease (a "New Lease") or (y) consent to the assignment of any Lease (unless required to do so by the terms of such Lease) that releases the original Tenant from its obligations under the Lease, or (z) materially modify any Lease (including, without limitation, accept a surrender of any portion of the Property subject to a Lease (unless otherwise permitted or required by law or pursuant to Article 4 of the Citibank Lease), allow a reduction in the term of any Lease or any reduction in the fixed or base rent payable under any Lease or any reduction in any additional rent payable under any Lease (other than an immaterial reduction in such additional rent), change any renewal provisions of any Lease, materially increase the obligations of the landlord or materially decrease the obligations of any Tenant) or terminate any Lease (any such action referred to in clauses (y) and (z) being referred to herein as a "Lease Modification") without the prior written consent of Lender which consent shall not be unreasonably withheld or delayed. Any New Lease or Lease Modification that requires Lender's consent shall not be effective unless and until Lender has consented thereto in accordance with this Section 8.8. Lender's consent to any proposed New Lease or Lease Modification shall be deemed to have been granted in the event such New Lease or Modified Lease is not disapproved by Lender within ten (10) Business Days after receipt of such New Lease or Lease Modification by Lender and a request for consent by Borrower; provided that the letter requesting such consent contains in bold, large letters the following language: NOTICE: YOU WILL BE DEEMED TO HAVE CONSENTED TO THE DOCUMENT ENCLOSED HEREIN IF NOT DISAPPROVED WITHIN TEN (10) BUSINESS DAYS OF RECEIPT.

8.8.2 Leasing Conditions. Subject to the remaining terms of this Section 8.8, provided no Event of Default shall have occurred and be continuing, Borrower may enter into a New Lease or Lease Modification, without Lender's prior written consent, that satisfies each of the following conditions:

(a) in the case of any (i) New Lease, such New Lease shall be written on a standard form of Lease reasonably agreed to by Lender and Borrower after the Closing (the "Standard Form of Lease") (as such standard form may be reasonably modified with the consent of Lender, not to be unreasonably withheld), with such changes as may be, taken as a whole, commercially reasonable given the then current market conditions and (ii) Lease Modification, such Lease Modification shall be on terms which, taken as a whole, are commercially reasonable given the then current market conditions and the terms of the existing Lease;

(b) with respect to a New Lease or Lease Modification, (i) such New Lease or Lease Modification demises not more than three (3) full floors of office space in the Building and (ii) if such New Lease or Lease Modification demises not more than three (3) full floors of office space in the Building, the net rentable square feet of the premises demised thereunder does not exceed ninety-five thousand two hundred and forty-seven (95,247) net rentable square feet;

(c) the term of such New Lease or Lease Modification, as applicable, does not exceed 180 months, plus up to two (2) 60-month option terms (or equivalent combination of renewals);

(d) the rental rate under such New Lease is at least equal to the then prevailing market rate for the entire term of such Lease (except for the option periods) and no Lease Modification shall reduce the base or fixed rent under such Lease (to any extent) during the remainder of the term thereof (except for the option periods) except in connection with the settlement of operating expense disputes and similar claims;

(e) "fixed" or "base" rent under such New Lease is at a substantially consistent or rising level throughout the term of the lease, other than for (x) "free rent" periods within market parameters or (y) tenant improvement and tenant inducements that exceed current market conditions but are amortized over a shorter time period than the entire initial term of such New Lease;

(f) such New Lease or Lease Modification, as applicable, provides that the premises demised thereby cannot be used for any of the following uses; any pornographic or obscene purposes, any commercial sex establishment, any pornographic, obscene, nude or semi-nude performances, modeling, obscene materials, activities or sexual conduct or any other use that has or could reasonably be expected to have a Material Adverse Effect; provided, however, that for so long as Borrower is "controlled" (as defined in the definition of "Affiliate" herein) by Sponsor, the foregoing restriction shall only apply to the primary use of such premises (as opposed to any ancillary uses);

(g) the Tenant under such New Lease or Lease Modification, as applicable, is not an Affiliate of Borrower;

(h) the New Lease or Lease Modification, as applicable, does not contain any provision whereby the Rent payable thereunder would be based, in whole or in part, upon the net income or profits derived by any Person from the Property, but the same shall not apply to retail rent or any participation in the profits from subleasing, assigning or similar actions;

(i) the New Lease or Lease Modification, as applicable, does not prevent Proceeds from being held and disbursed by Lender in accordance with the terms hereof;

(j) the New Lease or Lease Modification, as applicable, shall not entitle any Tenant to receive and retain condemnation Proceeds (or proceeds of insurance obtained by Borrower) except those that may be specifically awarded to it in condemnation proceedings because of the Taking of its trade fixtures and its leasehold improvements which have not become part of the Property or its other personal property, moving expenses and such business loss as Tenant may specifically and separately establish, but nothing in this Section is intended to limit the right of any Tenant to share in any Proceeds Borrower is entitled to receive under the terms of the Loan Documents; and

(k) the New Lease or Lease Modification, as applicable, satisfies the requirements of Section 8.8.7 and Section 8.8.8.

In the event a New Lease or a Lease Modification does not satisfy any of the applicable criteria set forth above in clauses (a) through (k) above, Borrower shall not enter into such New Lease or Lease Modification without Lender's prior written consent, which consent shall not be unreasonably withheld, conditioned or delayed.

8.8.3 Delivery of New Lease or Lease Modification. Upon the execution of any New Lease or Lease Modification, as applicable, Borrower shall deliver to Lender an executed copy thereof and, in the case of a New Lease, an additional copy marked to show all changes from the Standard Form of Lease.

8.8.4 Lease Amendments. Borrower agrees that it shall not have the right or power, as against Lender without Lender's consent, to cancel, abridge, amend or otherwise modify any Lease unless such modification is consented to be Lender or entered into without Lender's consent in compliance with this Section 8.8 (including non-material modifications described in Section 8.8.1 and Lease Modifications described in Section 8.8.2); provided, however, that this Section is not intended to prohibit Borrower from terminating Leases (a) pursuant to a default by the Tenant thereunder, (b) pursuant to a right to terminate the Lease relating to a failure of a condition thereof to be satisfied by Tenant prior to rent commencement thereunder, which right is expressly set forth in such Lease or (c) in the ordinary course of business of the Property if (i) (x) such Lease demises not more than one (1) full floor of office space in the Building and (y) if such Lease does not demise more than one (1) full floor of office space in the Building, the net rentable square feet of the premises demised thereunder does not exceed thirty-one thousand seven hundred and forty-nine (31,749) net rentable square feet or (ii) in the event that Borrower has signed a Lease with a replacement Tenant (which is Lease is permitted under this Section 8.8), (x) such Lease demises not more than two (2) full floors of office space in the Building and (y) if such Lease does not demise more than two (2) full floors of office space in the Building, the net rentable square feet of the premises demised thereunder does not exceed sixty-three thousand four hundred and ninety-eight (63,498) net rentable square feet.

8.8.5 Security Deposits. All cash security or other deposits of Tenants of the Property ("Security Deposits") shall, in accordance with all applicable Legal Requirements, be treated as trust funds and shall not be commingled with any other funds of Borrower (other than security deposits under other Leases), and such Security Deposits shall be deposited, upon receipt of the same by Borrower in a separate account maintained by Borrower expressly for such purpose. Within ten (10) Business Days after written request by Lender, Borrower shall furnish to Lender reasonably satisfactory evidence of compliance with this Section 8.8.5, together with a statement of all Security Deposits deposited with Borrower by the Tenants and the location and account number of the account in which such cash Security Deposits are held. Attached hereto as Schedule III, is a true correct and complete list of all Security Deposits and the amounts thereof, currently in Borrower's possession.

8.8.6 No Default Under Leases. Borrower shall (i) promptly perform and observe all of the material terms, covenants and conditions required to be performed and observed by Borrower under the Leases and the REAs, if the failure to perform or observe the same would have a Material Adverse Effect; (ii) exercise, within ten (10) Business Days after a written request by Lender, any right to request from the Tenant under any Lease, or the party to any REAs a certificate with respect to the status thereof (which shall not be made more than three (3) times in any calendar year) and (iii) not collect any of the Rents, more than one (1) month in advance (except that Borrower may collect Security Deposits and up to one (1) month's Rent (whether the first month, the last month or otherwise) as are permitted by Legal Requirements and are commercially reasonable in the prevailing market and collect other charges in accordance with the terms of each Lease).

8.8.7 Subordination. All Lease Modifications and New Leases entered into by Borrower after the date hereof shall by their express terms (or in any Non-Disturbance Agreement entered into by Lender and the applicable Tenant with respect to such Lease) be subject and subordinate to this Agreement and the Security Instrument (through a subordination provision contained in such Lease or otherwise) and shall provide that the Tenant shall attorn to Lender or any other Person succeeding to the interests of Lender upon its obtaining ownership or possession of the Property through the exercise of its remedies hereunder or any transfer in lieu thereof on the terms set forth in this Section 8.8 (or such other terms as are set forth in any Non-Disturbance Agreement entered into by Lender and the applicable Tenant thereunder). Notwithstanding the foregoing, any Lease Modification, in lieu of providing the foregoing, may contain a confirmation by the Tenant that any Non-Disturbance Agreement previously entered into by Lender and such Tenant with respect to the Lease being so modified shall remain in full force and effect.

8.8.8 Attornment. Each Lease Modification and New Lease entered into from and after the date hereof (unless a Non-Disturbance Agreement is entered into by Lender and such Tenant with respect to such Lease) shall provide that in the event of Lender's (or any other Person's who succeeds to the interest of Lender as a result of such enforcement) obtaining ownership or possession of the Property through the exercise of Lender's remedies hereunder or any transfer in lieu thereof, the Tenant under such Lease shall, at the option of Lender or of such Person, attorn to Lender or to such Person and shall recognize Lender or such successor in the interest as lessor under such Lease without change in the provisions thereof; provided, however, Lender or such successor in interest shall not be liable for or bound by (i) any payment of an

installment of rent or additional rent made more than thirty (30) days before the due date of such installment (unless otherwise consented to by Lender in its sole discretion or as otherwise permitted hereby), (ii) any act or omission of or default by Borrower under any such Lease (but the Lender, or such successor, shall be subject to the continuing obligations of the landlord to the extent such act, omission or default continues after such succession to the extent of Lender's, or such successor's, interest in the Property), (iii) any credits, claims, setoffs or defenses which any Tenant may have against Borrower, (iv) any obligation under such Lease to maintain a fitness facility at the Property, (v) any obligation on Borrower's part, pursuant to such Lease, to perform any tenant improvement work or (vi) any obligation on Borrower's part, pursuant to such Lease, to pay any sum of money to any Tenant. Each such New Lease shall also provide that, upon the reasonable request by Lender or such successor in interest, the Tenant shall execute and deliver an instrument or instruments confirming such attornment. Notwithstanding the foregoing, any Lease Modification, in lieu of providing the foregoing, may contain a confirmation by the Tenant that any Non-Disturbance Agreement previously entered into by Lender and such Tenant with respect to the Lease being so modified shall remain in full force and effect.

8.8.9 Non-Disturbance Agreements. Lender shall enter into and, if required by applicable law to provide constructive notice or requested by a Tenant, record in the county where the subject Property is located, a subordination, attornment and non-disturbance agreement, substantially in form and substance substantially similar to (i) the form attached hereto as Exhibit N, in the case of any Tenant other than the Citibank Tenant (which shall contain any such changes as Tenant and Lender shall agree upon, Lender agreeing to act reasonably with respect to any such changes requested by a Tenant under a New Lease) and (ii) the form attached hereto as Exhibit H in the case of the Citibank Tenant (each such agreement, a "Non-Disturbance Agreement"), with any Tenant (other than an Affiliate of Borrower) entering into a New Lease which Lender has consented to or which is permitted to be entered into by Borrower without Lender's consent in accordance with this Section 8.8, within ten (10) Business Days after written request therefor by Borrower, provided that such request is accompanied by an Officer's Certificate stating that such Lease complies in all material respects with this Section 8.8. All reasonable third party costs and expenses incurred by Lender in connection with the negotiation, preparation, execution and delivery of any Non-Disturbance Agreement, including, without limitation, reasonable attorneys' fees and disbursements, shall be paid by Borrower (in advance of Lender executing such Non-Disturbance Agreement, if requested by Lender).

8.8.10 Citibank Lease. Notwithstanding anything to the contrary contained herein, Lender hereby consents to the amending and restating of the Existing Citibank Lease pursuant to the Amended and Restated Lease to the extent such amending and restating is expressly required pursuant to the terms of the Existing Citibank Lease. Borrower shall be entitled to enter into an amendment to the Existing Citibank Lease to permit Borrower or one of its Affiliates to manage the Property on behalf of the Citibank Tenant pursuant to a Management Agreement.

8.8.11 Subleases. If Borrower has the right under any Lease entered into in accordance with this Agreement to consent to any sublease or sub-sublease and (x) such sublease or sub-sublease demises at least three (3) full floors of office space in the Building or (y) the net rentable square feet of the premises demised under such sublease or sub-sublease is at least ninety-five thousand two hundred and forty-seven (95,247) net rentable square feet, then, unless Borrower is obligated to grant its consent to such sublease or sub-sublease pursuant to the terms of the underlying Lease, Borrower shall not grant any such consent without the consent of Lender, such consent by Lender not to be unreasonably withheld or delayed if Borrower is not permitted pursuant to the terms of such Lease to unreasonably withhold its consent to such sublease or sub-sublease.

IX. DEFEASANCE

9.1 Defeasance.

(a) At any time subsequent to the Lockout Period and prior to the Anticipated Repayment Date, provided that all of the conditions set forth in Section 9.1(b) are complied with, Lender hereby agrees that Borrower shall have the right to obtain a release of the Lien of the Security Instrument and the other Loan Documents (other than the Defeasance Note and the Lien of the Defeasance Security Agreement on the property secured thereby) on the Property upon at least thirty (30) days' prior written notice upon satisfaction of the following (such release, after satisfaction of the other provisions of this Section 9.1(a), a "Defeasance"):

(i) the execution and delivery of a defeasance note (the "Defeasance Note"), in substitution for the Note and in form and substance reasonably acceptable to Lender, dated as of the date of the Defeasance (which must be on a Business Day), payable to Lender on the same remaining payment terms as the Note;

(ii) the execution and delivery of a security agreement (the "Defeasance Security Agreement"), in form and substance reasonably acceptable to Lender, dated as of the date of the Defeasance (which must be on a Business Day), in favor of Lender, pursuant to which Lender is granted a perfected first priority security interest in the Defeasance Collateral to secure the Defeasance Note;

(iii) the execution and delivery of appropriate and reasonable agreements and/or instruments, each in form and substance reasonably acceptable to Lender, pursuant to which the obligations and liabilities of Borrower under the Defeasance Note and the Defeasance Security Agreement are assumed by a new entity (the "Substitute Borrower") which satisfies all of the Single Purpose Entity requirements;

(iv) the execution and delivery by Borrower of the release documents referenced in Section 9.1(d) to the extent Borrower is a party thereto;

(v) satisfaction of the conditions set forth in Section 9.1(b); and

(vi) no Event of Default shall have occurred and be continuing.

(b) With respect to a Defeasance pursuant to Section 9.1(a), Borrower shall deposit the Defeasance Collateral in accordance with Section 9.1(b)(ii) below into the Defeasance Collateral Account. Defeasance shall be permitted at such time as all of the following events shall have occurred:

(i) the Defeasance Collateral Account shall have been established pursuant to Section 9.1(e) hereof;

(ii) Borrower shall have delivered or caused to have been delivered to Lender the Defeasance Collateral for deposit into the Defeasance Collateral Account such that it will satisfy the Defeasance Collateral Requirement at the time of delivery and all such Defeasance Collateral, if in registered form, shall be registered in the name of Lender or its nominee (and, if registered in nominee name endorsed to Lender or in blank) and, if issued in book-entry form, the name of Lender or its nominee shall appear as the owner of such securities on the books of the Federal Reserve Bank or other party maintaining such book-entry system;

(iii) Borrower shall have granted or caused to have been granted to Lender a valid perfected first priority security interest in the Defeasance Collateral and all proceeds thereof;

(iv) Borrower shall have delivered or caused to be delivered to Lender an Officer's Certificate, dated as of the date of such delivery, that (x) sets forth the aggregate face amount or unpaid principal amount, interest rate and maturity of all such Defeasance Collateral, a copy of the transaction journal, if any, or such other notification, if any, published by or on behalf of the Federal Reserve Bank or other party maintaining a book-entry system advising that Lender or its nominee is the owner of such securities issued in book-entry form and (y) states that:

(1) Borrower (or the Substitute Borrower) owns the Defeasance Collateral being delivered to Lender free and clear of any and all Liens, security interests or other encumbrances (other than the Defeasance Security Agreement), and has not assigned any interest or participation therein (or, if any such interest or participation has been assigned, it has been released), and Borrower has full power and authority to pledge such Defeasance Collateral to Lender;

(2) such Defeasance Collateral consists solely of Defeasance Eligible Investments;

(3) such Defeasance Collateral satisfies the Defeasance Collateral Requirement, determined as of the date of delivery; and

(4) the information set forth in clause (iv)(x) above as set forth in a schedule attached to such Officer's Certificate is correct and complete in all material respects as of the date of delivery (such schedule, which shall be attached to and form a part of such Officer's Certificate, shall demonstrate satisfaction of the requirement set forth in clause (iv)(2) above, in a form reasonably acceptable to Lender);

(v) Borrower shall have delivered or caused to be delivered to Lender a Rating Agency Confirmation and such other documents and certificates as Lender may reasonably request, including Opinions of Counsel, in connection with demonstrating that Borrower has satisfied the provisions of this Section 9.1(b), including, but not limited to, an Opinion of Counsel stating, among other things, that (x) Lender has a perfected first priority security interest in the Defeasance Collateral and that the Defeasance Security Agreement is enforceable in accordance with its terms and (y) if applicable, that any trust formed as a REMIC pursuant to a Securitization will not fail to maintain its status as a REMIC as a result of such Defeasance; and

(vi) Borrower shall have delivered to Lender a certificate of an Independent Accountant certifying that the Defeasance Collateral will generate monthly amounts which satisfy the Defeasance Collateral Requirement.

(c) For purposes of determining whether sufficient amounts of Defeasance Collateral are on deposit in the Defeasance Collateral Account, there shall be included only payments of principal and predetermined and certain income thereon (as reasonably determined by Lender and agreed to by Borrower without regard to any reinvestment of such amounts) that will occur on a stated date for a stated payment on or before the dates when such amounts may be required to be applied to pay the interest when due on the Defeasance Note (and/or any substitute notes, as applicable) as of the Payment Date that is three (3) months prior to the Anticipated Repayment Date, together with the outstanding principal balance of the Defeasance Note (and/or any substitute notes, as applicable) as of the Payment Date that is three (3) months prior to the Anticipated Repayment Date.

(d) Upon the delivery of Defeasance Collateral in accordance with Section 9.1(b) and the satisfaction of all other conditions provided for in this Section 9.1, Lender shall enter into appropriate release and termination documents as if a payment in full of the Indebtedness hereunder (except as to the Defeasance Note and Defeasance Security Agreement) had occurred, together with such documentation as may be reasonably requested by Borrower to notify third parties thereof and substitute note documentation (including a release of Borrower from the Defeasance Note and the Defeasance Security Instrument as and to the extent that Borrower is replaced by a Substitute Borrower in accordance with the terms of this Article IX), and Lender will return to Borrower any Letters of Credit or other collateral or security held by Lender in connection with the Loan (other than the Defeasance Collateral). Notwithstanding the foregoing, if Borrower desires to effectuate a Defeasance in a manner which will permit the assignment of the Note and the Security Instrument to a new Lender in order to save on mortgage recording tax, then Lender shall reasonably cooperate therewith (at no cost to Lender), in which event Lender shall assign the Note and the Security Instrument (without representation, recourse or warranty or any nature, express or implied) to a new lender designated by Borrower. Lender's obligation to assign the Note and the Security Instrument shall be conditioned upon the following:

(i) compliance by Borrower with all of the other provisions of this Section 9.1;

(ii) the execution and delivery by Borrower to such new lender of the Defeasance Note and Defeasance Security Agreement, which Defeasance Note, together with the Defeasance Security Agreement and the rights of such new lender in and to the Defeasance Collateral, shall be assigned by such new lender to Lender simultaneously with the assignment of the Note and the Security Instrument by Lender;

(iii) payment by Borrower of the reasonable out-of-pocket costs of Lender incurred in connection therewith;

(iv) such assignment is not then prohibited by any Legal Requirement; and

(v) such assignment and the actions described above in Lender's good faith determination do not constitute a prohibited transaction for any trust formed as a REMIC pursuant to a Securitization and will not disqualify such REMIC as a "real estate mortgage investment conduit" within the meaning of Section 860D of the Code as a result of such assignment and the Defeasance.

(e) On or before the date on which Borrower delivers Defeasance Collateral to Lender pursuant to Section 9.1(b), Borrower shall open at any Approved Bank (or other bank subject to the next sentence hereof) at the time and acting as custodian for Lender, a defeasance collateral account (the "Defeasance Collateral Account") which shall at all times be an Eligible Account, in which Borrower shall grant to Lender or reconfirm the grant to Lender of a security interest. The Defeasance Collateral Account shall contain (i) all Defeasance Collateral delivered by Borrower pursuant to Section 9.1(b), (ii) all payments received on Defeasance Collateral held in the Defeasance Collateral Account and (iii) all income or other gains from investment of moneys or other property deposited in the Defeasance Collateral Account. All such amounts, including all income from the investment or reinvestment thereof, shall be held by Lender, subject to withdrawal by Lender for the purposes set forth in this Section 9.1. Borrower (or the Substitute Borrower) shall be the owner of the Defeasance Collateral Account and shall report all income accrued on Defeasance Collateral for federal, state and local income tax purposes in its income tax return.

(f) Lender shall withdraw, draw on or collect and apply the amounts that are on deposit in the Defeasance Collateral Account to pay when due the principal and all installments of interest and principal on the Defeasance Note. Funds and other property in the Defeasance Collateral Account shall not be commingled with any other monies or property of Borrower (or the Substitute Borrower) or any Affiliate of Borrower (or the Substitute Borrower). Lender shall not in any way be held liable by reason of any insufficiency in the Defeasance Collateral Account.

(g) If required, Borrower and Lender shall enter into any appropriate amendments to the Loan Documents necessitated by a Defeasance, such amendments to be in form and substance reasonably acceptable to both Borrower and Lender.

X. MAINTENANCE OF PROPERTY; ALTERATIONS

10.1 Maintenance of Property. Borrower shall keep and maintain, or cause to be kept and maintained, the Property and every part thereof in good condition and repair, subject to ordinary wear and tear, and, subject to Excusable Delays and the provisions of this Agreement with respect to damage or destruction caused by casualty events or Takings, shall not permit or commit any waste, impairment, or deterioration of any portion of the Property in any material respect. In the event that the Existing Citibank Lease is no longer in effect, Borrower further covenants to do all other acts which from the character or use of the Property may be reasonably necessary to protect the security hereof, the specific enumerations herein not excluding the general. Borrower shall not remove or demolish (or permit to be removed or demolished) any Improvement on the Property except as the same may be necessary in connection with an Alteration or a restoration in connection with a Taking or casualty, or as otherwise permitted herein, in each case in accordance with the terms and conditions hereof.

10.2 Conditions to Alteration. Provided that no Event of Default shall have occurred and be continuing hereunder (except where such Alterations are performed by Tenants, required in order to comply with Legal Requirements or in an emergency in order to insure life safety), Borrower shall have the right, without Lender's consent, to undertake any alteration, improvement, demolition or removal of the Property or any portion thereof (any such alteration, improvement, demolition or removal, an "Alteration") so long as (i) Borrower provides Lender with prior written notice of any Material Alteration, and (ii) such Alteration is undertaken in accordance with the applicable provisions of this Agreement and the other Loan Documents, is not prohibited by any relevant REAs and the Leases and shall not, upon completion (giving credit to rent and other charges attributable to Leases executed upon such completion), have a Material Adverse Effect. Any Material Alteration (other than Material Alterations performed by Tenants) shall be conducted under the supervision of an architect, engineer or construction consultant which is an Independent Architect; provided, however, as long as Reckson Operating Partnership, L.P. Controls Borrower, such architect, engineer or construction consultant shall not be required to be an Independent Architect if such architect, engineer or construction consultant (A) performs work for Reckson Operating Partnership, L.P. and its Affiliates on a regular basis, (B) is licensed to practice in the State (in the case of any architect, engineer or other Person required to be so licensed) and (C) has at least five (5) years of architectural experience. In connection with any Material Alteration (if performed by Borrower), Borrower shall deliver to Lender, for informational purposes only and not for approval by Lender, detailed plans and specifications and cost estimates therefor, prepared by an Independent Architect(s) (or such other architect, engineer or construction consultant referred to in the preceding sentence). Such plans and specifications may be revised at any time and from time to time by an Independent Architect(s) (or such other architect, engineer or construction consultant), provided that material revisions of such plans and specifications are filed with Lender, for informational purposes only. Additionally, if any Tenant in connection with a Material Alteration delivers any plans and specifications therefor to Borrower, Borrower shall deliver a copy of the same to Lender, for informational purposes only. All work done in connection with any Alteration shall be performed (once commenced) with reasonable diligence, subject to Excusable Delays, in a good and workmanlike manner, all materials used in connection with any Alteration shall not be less than the standard of quality of the materials currently used at the Property and all materials used shall be in accordance with all applicable material Legal Requirements and Insurance Requirements. Nothing in this Section 10.2 shall limit the rights of the Citibank Tenant under the Citibank Lease with respect to Alterations.

10.3 Costs of Alteration. Notwithstanding anything to the contrary contained in this Article X, no Material Alteration shall be performed by or on behalf of Borrower unless Borrower shall have delivered to Lender Cash and Cash Equivalents and/or a Letter of Credit as security in an amount not less than the estimated cost of the Material Alteration or the Alterations minus the Threshold Amount (as set forth in the Independent Architect's written estimate referred to above). In addition to payment or reimbursement from time to time of Borrower's expenses incurred in connection with any Material Alteration or any such Alteration, the amount of such security shall be reduced on any given date to the excess of (x) the Independent Architect's then written estimate of the cost to complete the Material Alteration or

the Alterations (including any retainages), free and clear of Liens, other than Permitted Encumbrances over (y) the Threshold Amount. Costs payable by Borrower in connection with any Material Alteration shall be subject to a retainage which shall not be less than five percent (5%) in the aggregate. In the event that any Material Alteration or Alteration shall be made in conjunction with any restoration with respect to which Borrower shall be entitled to withdraw Proceeds pursuant to Section 6.2, the amount of the Cash and Cash Equivalents and/or Letter of Credit to be furnished pursuant hereto need not exceed the aggregate cost of such restoration and such Material Alteration or Alteration (as estimated by the Independent Architect), less the sum of the amount of any Proceeds which Borrower may be entitled to withdraw pursuant to Section 6.2 and which are held by Lender in accordance with Section 6.2 and less the Threshold Amount. Payment or reimbursement of Borrower's expenses incurred with respect to any Material Alteration or any such Alteration shall be made by Lender upon submission of a request therefor from time to time, together with an invoice evidencing the amount paid or then due.

At any time after (i) substantial completion of any Material Alteration or any such Alteration in respect of which Cash and Cash Equivalents and/or a Letter of Credit is deposited pursuant hereto or (ii) the date on which Borrower delivers to Lender an Officer's Certificate (together with reasonable supporting documentation with respect thereto) stating that (A) the remaining costs of any Material Alteration no longer exceed, in the aggregate, the Threshold Amount and (B) to the knowledge of the certifying Person, all amounts which Borrower is then liable to pay in respect of such Material Alteration through the date of the certification have been paid in full or adequately provided for or are being contested in accordance with Section 7.3 and that lien waivers with respect to all portions of such Alterations which have been completed by such date and paid for have been obtained from the general contractor and major subcontractors performing such Material Alterations (or such waivers are not customary and reasonably obtainable by prudent managers in the area where the Property is located), then the whole balance of any Cash and Cash Equivalents so deposited by Borrower with Lender and then remaining on deposit (together with earnings thereon), as well as all retainages, may be withdrawn by Borrower and shall be paid by Lender to Borrower, and any other Cash and Cash Equivalents and/or a Letter of Credit so deposited or delivered shall, to the extent it has not been called upon, reduced or theretofore released, be released to Borrower, within ten (10) days after receipt by Lender of (x) in the case of clause (ii) above, the Officer's Certificate described therein or (y) in the case of clause (i) above, an application for such withdrawal and/or release together with an Officer's Certificate, and signed also (as to the following clause (a)) by the Independent Architect, setting forth in substance as follows:

(a) that the Material Alteration or Alteration in respect of which such Cash and Cash Equivalents and/or a Letter of Credit was deposited has been substantially completed in all material respects substantially in accordance with any plans and specifications therefor previously filed with Lender under Section 10.2 and that, if applicable, a certificate of occupancy has been issued with respect to such Material Alteration or Alteration by the relevant Governmental Authority(ies) or, if not applicable, that a certificate of occupancy is not required; and

(b) that to the knowledge of the certifying Person all amounts which Borrower is or may become liable to pay in respect of such Material Alteration or Alteration through the date of the certification have been paid in full or adequately provided for or are being contested in accordance with Section 7.3 and that lien waivers have been obtained from the general contractor and major subcontractors performing such Material Alterations or Alterations (or such waivers are not customary and reasonably obtainable by prudent managers in the area where the Property is located).

For the purposes of this Section 10.3 only, Alterations and Material Alterations shall not include tenant improvement alterations, improvements, demolitions or removals undertaken pursuant to (or as permitted by) a Lease in which the costs thereof are to be paid by or on behalf of a Tenant or any Person claiming by, through or under a Tenant.

Nothing in this Section 10.3 shall limit the rights of the Citibank Tenant under the Citibank Lease with respect to Alterations (regardless of whether the same would constitute Material Alterations hereunder).

XI. BOOKS AND RECORDS, FINANCIAL STATEMENTS, REPORTS AND OTHER INFORMATION

11.1 Books and Records. Borrower shall keep and maintain on a fiscal year basis proper books and records separate from any other Person, in which accurate and complete entries shall be made of all dealings or transactions of or in relation to the Note, the Property and the business and affairs of Borrower relating to the Property which shall reflect all items of income and expense in connection with the operation on an individual basis of the Property and in connection with any services, equipment or furnishings provided in connection with the operation of the Property, in accordance with GAAP or in accordance with a cash method of accounting as required to prepare the reports required hereunder (or such other reporting method as Lender shall approve). Lender and its authorized representatives shall have the right at reasonable times and upon reasonable notice to examine the books and records of Borrower relating to the operation of the Property and to make such copies or extracts thereof as Lender may reasonably require.

11.2 Financial Statements.

11.2.1 Quarterly Reports. Not later than forty-five (45) days following the end of each fiscal quarter, Borrower shall deliver to Lender unaudited financial statements, internally prepared on a cash basis including a balance sheet and profit and loss statement as of the end of such quarter and for the corresponding quarter of the previous year, if applicable, and a statement of revenues and expenses for the year to date, a statement of Net Operating Income for such quarter, and a comparison of the year to date results with (i) after the second (2nd) Fiscal Year occurring after the Closing Date, the results for the same period of the previous year, if applicable, and (ii) if the Existing Citibank Lease shall no longer be in full force and effect, the Annual Budget for such period and the Fiscal Year; provided, however, that solely with respect to the fourth (4th) fiscal quarter of each Fiscal Year, (1) Borrower shall only be obligated to deliver to Lender on or prior to the expiration of such forty-five (45) day period an Officer's Certificate stating whether or not, to the best of Borrower's Knowledge, any events or circumstances exist which, with or without the giving of notice, the passage of time or both, may constitute a monetary or material non-monetary default on the part of Borrower or the Citibank Tenant under the Citibank Lease and (2) Borrower shall deliver the items set forth above in this

sentence with respect to each such fourth (4th) fiscal quarter simultaneously with the delivery by Borrower of the annual report for such Fiscal Year pursuant to Section 11.2.2 below (i.e., rather than on or prior to the expiration of such forty-five (45) day period). Such statements for each quarter shall be accompanied by an Officer's Certificate certifying to the best of the signer's knowledge, (A) that such statements fairly represent the financial condition and results of operations of Borrower, (B) that as of the date of such Officer's Certificate, no Event of Default exists or, if so, specifying the nature and status of each such Event of Default and the action then being taken by Borrower or proposed to be taken to remedy such Event of Default and (C) that as of the date of each Officer's Certificate, no litigation or proceeding affecting Borrower or the Property or any part thereof in which the amount involved is $1,000,000 (either individually or in the aggregate) or more and not covered by insurance or in which injunctive or similar relief is sought and likely to be obtained or, if so, specifying such litigation and the status thereof and any actions being taking in relation thereto.

11.2.2 Annual Reports. Not later than ninety (90) days after the end of each Fiscal Year of Borrower's operations, Borrower shall deliver to Lender audited financial statements certified by an Independent Accountant in accordance with GAAP, covering the Property, including a balance sheet as of the end of such year, a statement of Net Operating Income for the year and for the fourth quarter thereof and a statement of revenues and expenses for such year, and, commencing with the annual statement for the second (2nd) Fiscal Year after the Closing Date, stating in comparative form the figures for the previous Fiscal Year, and provided the Existing Citibank Lease is no longer in full force and effect, the Annual Budget for such Fiscal Year and the occupancy statistics for the Property. Such annual financial statements shall also be accompanied by an Officer's Certificate in the form required pursuant to Section 11.2.1.

11.2.3 Leasing Reports. Not later than forty-five (45) days after the end of each fiscal quarter of Borrower's operations, if the Existing Citibank Lease is no longer in effect during such fiscal quarter, Borrower shall deliver to Lender a true and complete rent roll for the Property, dated as of the last month of such fiscal quarter, showing the percentage of gross leasable area of the Property, if any, leased as of the last day of such fiscal quarter, the current annual rent for the Property, the expiration date of each lease, whether to Borrower's Knowledge any portion of the Property has been sublet, and if it has, the name of the subtenant, and such rent roll shall be accompanied by an Officer's Certificate certifying that, to the knowledge of the signatory, such rent roll is true, correct and complete in all material respects as of its date and stating whether Borrower, within the past three (3) months, has issued a notice of default with respect to any Lease which has not been cured and the nature of such default.

11.2.4 Capital Expenditures Summaries. Borrower shall, within ninety (90) days after the end of each calendar year during the term of the Note, if the Existing Citibank Lease is no longer in effect, deliver to Lender an annual summary of any and all Capital Expenditures made by Borrower at the Property during the prior twelve (12) month period.

11.2.5 Reserved.

11.2.6 Annual Budget. If the Existing Citibank Lease is no longer in effect, Borrower shall deliver to Lender the Annual Budget for Lender's review, but not approval, not later than thirty (30) days prior to the end of such Fiscal Year, or, if Lender's approval of such Annual

Budget is required under this Section, at least sixty (60) days prior to the end of each Fiscal Year. Notwithstanding the foregoing, Lender shall have the right to approve the Annual Budget, in its sole and absolute discretion, upon the occurrence and during the continuation of a Reserve Period. Borrower shall not consent to a change or modification of the Annual Budget without first providing a copy to Lender for its review (unless such change or modification is made as the result of an emergency repair), but not approval (unless Lender's approval is required pursuant to this Section 11.2.6).

11.2.7 Other Information. Borrower shall, promptly after written request by Lender or, if a Securitization shall have occurred, the Rating Agencies, furnish or cause to be furnished to Lender, in such manner and in such detail as may be reasonably requested by Lender, such reasonable additional information as is in Borrower's possession or is readily obtainable and as may be reasonably requested with respect to the Property.

11.2.8 Citibank Lease Information. Borrower, immediately upon receipt thereof from the Citibank Tenant, shall deliver to Lender true, correct and complete copies of the materials, reports and information described in Section 7.04, 7.07(a), 9.03 and 9.09 of the Citibank Lease which are delivered by the Citibank Tenant to Borrower.

XII. ENVIRONMENTAL MATTERS

12.1 Representations. Borrower hereby represents and warrants that except as set forth in the environmental reports and studies delivered to Lender (the "Environmental Reports") and except for common maintenance and cleaning products regularly found at properties with a standard of operation and maintenance comparable to the Property which have been used in compliance with Environmental Law, (i) Borrower has not engaged in or knowingly permitted any operations or activities upon, or any use or occupancy of the Property, or any portion thereof, for the purpose of or in any way involving the handling, manufacture, treatment, storage, use, generation, release, discharge, refining, dumping or disposal of any Hazardous Materials on, under, in or about the Property, or transported any Hazardous Materials to, from or across the Property, except in all cases in material compliance with Environmental Laws and only in the course of legitimate business operations at the Property; but the foregoing shall not be deemed violated by the Citibank Tenant (and parties claiming under it) being permitted to use and occupy the Property as permitted under the Citibank Lease; (ii) to Borrower's Knowledge, no tenant, occupant or user of the Property, or any other Person, has engaged in or permitted any operations or activities upon, or any use or occupancy of the Property, or any portion thereof, for the purpose of or in any material way involving the handling, manufacture, treatment, storage, use, generation, release, discharge, refining, dumping or disposal of any Hazardous Materials on, in or about the Property, or transported any Hazardous Materials to, from or across the Property, except in all cases in material compliance with Environmental Laws and only in the course of legitimate operations at the Property (including any legitimate business conducted thereat); (iii) no Hazardous Materials are presently constructed, deposited, stored, or otherwise located on, under, in or about the Property except in material compliance with Environmental Laws; (iv) to Borrower's Knowledge, no Hazardous Materials have migrated from the Property upon or beneath other properties which would reasonably be expected to result in material liability for Borrower; and (v) to Borrower's Knowledge, no Hazardous Materials have migrated or threaten

to migrate from other properties upon, about or beneath the Property which would reasonably be expected to result in material liability for Borrower.

12.2 Covenants.

12.2.1 Compliance with Environmental Laws. Subject to Borrower's or the Citibank Tenant's right to contest under Section 7.3, Borrower covenants and agrees with Lender that it shall comply with all Environmental Laws. If at any time during the continuance of the Lien of the Security Instrument, a Governmental Authority having jurisdiction over the Property requires remedial action relating to the presence of Hazardous Materials in, around, or under the Property (an "Environmental Event"), Borrower shall, upon obtaining knowledge thereof, deliver prompt notice of the occurrence of such Environmental Event to Lender. Within thirty (30) days after Borrower has knowledge of the occurrence of an Environmental Event, Borrower shall deliver to Lender an Officer's Certificate (an "Environmental Certificate") explaining the Environmental Event in reasonable detail (subject to such information being reasonably available to Borrower) and setting forth the proposed remedial action, if any. Borrower shall promptly provide Lender with copies of all notices which allege or identify any actual or potential material violation or noncompliance received by or prepared by or for Borrower in connection with any Environmental Law. For purposes of this paragraph, the term "notice" shall mean any summons, citation, directive, order, claim, pleading, letter, application, filing, report, findings, declarations or other materials pertinent to compliance of the Property and Borrower with such Environmental Laws. If the Security Instrument is foreclosed, Borrower shall deliver the Property in compliance with all applicable Environmental Laws.

12.3 Environmental Reports. Upon the occurrence and during the continuance of (i) if the Existing Citibank Lease is no longer in effect, an Environmental Event with respect to the Property or (ii) an Event of Default, Lender shall have the right to have its consultants perform a comprehensive environmental audit of the Property. Such audit shall be conducted by an environmental consultant chosen by Lender and may include a visual survey, a record review, an area reconnaissance assessing the presence of hazardous or toxic waste or substances, PCBs or storage tanks at the Property, an asbestos survey of the Property, which may include random sampling of the Improvements and air quality testing, and such further site assessments as Lender may reasonably require due to the results obtained from the foregoing. Borrower grants Lender, its agents, consultants and contractors the right to enter the Property as reasonable or appropriate for the circumstances for the purposes of performing such studies, but such access shall be subject to the rights of Tenants under their Leases. The reasonable cost of such studies shall be due and payable by Borrower to Lender within thirty (30) days after an invoice therefor, accompanied by evidence as may be reasonably required to establish such cost, is delivered to Borrower, and shall be secured by the Lien of the Security Instrument, subject to Section 13(a) of the Security Instrument. Lender shall not unreasonably interfere with, and Lender shall direct the environmental consultant to use its commercially reasonable efforts not to hinder, Borrower's or any Tenant's, other occupant's or Manager's operations upon the Property when conducting such audit, sampling or inspections. By undertaking any of the measures identified in and pursuant to this Section 12.3, Lender shall not be deemed to be exercising any control over the operations of Borrower or the handling of any environmental matter or hazardous wastes or substances of Borrower for purposes of incurring or being subject to liability therefor. Lender shall be responsible for any damage to the Property or the property of any Tenants resulting solely from the gross negligence and willful misconduct of Lender relating to any such inspections.

12.4 Environmental Indemnification. Borrower shall protect, indemnify, save, defend, and hold harmless the Indemnified Parties from and against any and all liability, loss, damage, actions, causes of action, costs or expenses whatsoever (including reasonable attorneys' fees and expenses) and any and all claims, suits and judgments which any Indemnified Party may suffer, as a result of or with respect to: (a) any Environmental Claim relating to or arising from the Property; (b) the violation of any Environmental Law in connection with the Property; (c) any release, spill, or the presence of any Hazardous Materials affecting the Property; and (d) the presence at, in, on or under, or the release, escape, seepage, leakage, discharge or migration at or from, the Property of any Hazardous Materials, whether or not such condition was known or unknown to Borrower; provided that, in each case, Borrower shall be relieved of its obligation under this subsection if any of the matters referred to in clauses (a) through (d) above did not occur (but need not have been discovered) prior to (1) the foreclosure of the Security Instrument, (2) the delivery by Borrower to Lender or its designee of a deed-in-lieu of foreclosure with respect to the Property, or (3) Lender's or its designee's taking possession and control of the Property after the occurrence of an Event of Default hereunder. If any such action, claim or other proceeding shall be brought against an Indemnified Party, then Lender shall promptly notify Borrower and Borrower shall have, subject to the further terms hereof, the right to defend and indemnify the Indemnified Parties against such action, claim or other proceeding. Written notice from Borrower to Lender electing to assume the defense of such action, claim or other proceeding shall be given reasonably promptly following Lender's notice to Borrower of such action, claim or proceeding). Borrower shall be entitled to assume the defense thereof, at Borrower's expense, with counsel which is selected by the Citibank Tenant or any insurance company which is covering such action, claim or proceeding or otherwise is reasonably acceptable to Lender; provided, however, Lender may, at its own expense, retain separate counsel to participate in such defense, but such participation shall not (i) be deemed to give Lender a right to control such defense, which right Borrower expressly retains or (ii) affect any indemnity or defense obligation of the Citibank Tenant or any insurance company covering such action, claim or proceeding. Notwithstanding the foregoing, each Indemnified Party shall have the right to employ separate counsel at Borrower's expense if, in the reasonable opinion of legal counsel, a conflict or potential conflict exists between the Indemnified Party and Borrower that would make such separate representation advisable. Borrower shall have no obligation to indemnify an Indemnified Party for damage or loss resulting from an Indemnified Party's gross negligence or willful misconduct.

12.5 Recourse Nature of Certain Indemnifications. Notwithstanding anything to the contrary provided in this Agreement or in any other Loan Document, the indemnification provided in Section 12.4 shall be fully recourse to Borrower and shall be independent of, and shall survive, the discharge of the Indebtedness, the release of the Lien created by the Security Instrument, and/or the conveyance of title to the Property to Lender or any purchaser or designee in connection with a foreclosure of the Security Instrument or conveyance in lieu of foreclosure.

XIII. MEZZANINE LOAN

13.1 Mezzanine Loan. Notwithstanding anything to the contrary contained herein, Mezzanine Borrower shall have the right, from time to time, to obtain mezzanine financing (a "Mezzanine Loan") from a lender (the "Mezzanine Lender") reasonably acceptable to Lender, which Mezzanine Loan shall be secured by a pledge of direct or indirect interests in Borrower. The right of Mezzanine Borrower to obtain a Mezzanine Loan shall be conditioned upon (i) the delivery of a Rating Agency Confirmation, (ii) the execution and delivery of an Intercreditor Agreement (which Lender shall also execute at the time), (iii) the execution and delivery of all documentation reasonably requested by Lender or, if the Loan is the subject of a Securitization, the Rating Agencies (including, without limitation, any amendments to the Loan Documents and reaffirmation of the Recourse Guaranty, if the same are required by the Rating Agencies as a condition to the Rating Agency Confirmation), (iv) the delivery of Opinions of Counsel required by the Rating Agencies, including, without limitation, a Non-Consolidation Opinion with respect to Mezzanine Borrower and other entities required by the Rating Agencies, and (v) no Event of Default shall have occurred and be continuing. Borrower shall pay all of Lender's third party fees, costs and expenses, including, without limitation, reasonable attorneys' fees and costs, actually incurred by Lender in connection with such assumption, such payment to be made within thirty (30) days after invoices therefor (accompanied by such information as may be reasonably requested by Borrower to confirm same) have been delivered to Borrower.

XIV. SECURITIZATION AND PARTICIPATION

14.1 Sale of Note and Securitization. At the request of Lender and, to the extent not already required to be provided by Borrower under this Agreement, Borrower shall use reasonable efforts to satisfy the market standards which may be reasonably required in the marketplace or by the Rating Agencies in connection with the sale of the Note or participation therein as part of the first successful securitization (such sale and/or securitization, the "Securitization") of rated single or multi-class securities (the "Securities") secured by or evidencing ownership interests in the Note and this Agreement, including using reasonable efforts to do (or cause to be done) the following (but Borrower shall not in any event be required to incur, suffer or accept (except to a de minimis extent) (i) any lesser rights or greater obligations than as currently set forth in the Loan Documents, (ii) except as set forth in this Article XIV, any expense or any liability and (iii) an adverse effect on Borrower or its direct or indirect owners (including any such Person's tax, REIT or ERISA treatment), other than to a de minimis extent, and in no event shall Borrower be required to amend the Citibank Lease):

(a) Provided Information. (i) Provide, at the sole expense of the holder of the Note, such financial and other information (but not projections) with respect to the Property, Borrower, Guarantor and any Manager retained by Borrower pursuant to Section 5.2.14 to the extent such information is reasonably available to Borrower or Manager, (ii) provide, at the sole expense of the holder of the Note, business plans (but not projections) and budgets relating to the Property for the current year, to the extent prepared by Borrower or Manager retained by Borrower pursuant to Section 5.2.14 and (iii) cooperate with the holder of the Note (and its representatives) in obtaining, at the sole expense of the holder of the Note, such site inspection, appraisals, market studies (but only if the Existing Citibank Lease is no longer in effect), environmental reviews and reports, engineering reports and other due diligence investigations of the Property, as may be reasonably requested by the holder of the Note or reasonably requested by the Rating Agencies but subject to the rights of access allowed Borrower or its designee under the Citibank Lease (all information provided by Borrower pursuant to this Section 14.1 together with all other information heretofore provided by Borrower to Lender in connection with the Loan, as such may be updated, at Lender's request, in connection with a Securitization, or hereafter provided by Borrower to Lender in connection with the Loan or a Securitization, being herein collectively called the "Provided Information");

(b) Opinions of Counsel. Use reasonable efforts to cause to be rendered such customary updates or customary modifications to the Opinions of Counsel delivered at the closing of the Loan as may be reasonably requested by the holder of the Note or the Rating Agencies in connection with the Securitization. Borrower's failure to use reasonable efforts to deliver or cause to be delivered the opinion updates or modifications required hereby within twenty (20) Business Days after written request therefor (which request specifies that an Event of Default may result from a failure to do so) shall constitute an "Event of Default" hereunder. To the extent any of the foregoing Opinions of Counsel were required to be delivered in connection with the closing of the Loan, any update or modification thereof shall be without cost to Borrower. In no event shall Borrower be required to deliver an Opinion of Counsel with respect to "true sale", "no fraudulent conveyance" or "10b-5" matters;

(c) Modifications to Loan Documents. Without cost to Borrower, execute such amendments to the Security Instrument and Loan Documents as may be reasonably requested by Lender or the Rating Agencies in order to achieve the required rating or to effect the Securitization (including, without limitation, modifying the Payment Date, as defined in the Note, to a date other than as originally set forth in the Note); provided, however, that nothing contained in this Section 14.1.3 shall result in any economic or other adverse change (except to a de minimis extent) in the transaction contemplated by the Security Instrument or the Loan Documents (unless Borrower is made whole by the holder of Note) or result in any operational changes or otherwise have an adverse effect on Borrower or its direct or indirect owners (including any such Person's tax, REIT or ERISA treatment), other than to a de minimis extent, or result in any inconsistency between the Loan Documents and the Citibank Lease which is not resolved in favor of the Citibank Lease; and

(d) Cooperation with Rating Agencies. Borrower shall, at Lender's expense, (i) at Lender's request, meet with representatives of the Rating Agencies at reasonable times to discuss the business and operations of the Property and (ii) cooperate with the reasonable requests of the Rating Agencies in connection with the Property, subject to the terms of the Citibank Lease. Until the Obligations are paid in full, Borrower shall, if requested by Lender, provide the Rating Agencies with all financial reports required hereunder and such other customary information as they shall reasonably request, including copies of any default notices or other material notices delivered to and received from Lender hereunder, to enable them to continuously monitor the creditworthiness of Borrower and to permit an annual surveillance of the implied credit rating of the Securities.

14.2 Securitization Financial Statements. Borrower acknowledges that all financial information delivered by Borrower to Lender pursuant to Article XI may, at Lender's option, be delivered to the Rating Agencies.

14.3 Securitization Indemnification.

14.3.1 Disclosure Documents. Borrower understands that certain of the Provided Information may be included in disclosure documents in connection with the Securitization, including a prospectus, private placement memorandum, collateral term sheet or a public registration statement (each, a "Disclosure Document") and may also be included in filings with the Securities and Exchange Commission pursuant to the Securities Act of 1933, as amended (the "Securities Act") or the Securities and Exchange Act of 1934, as amended (the "Exchange Act"), or provided or made available to investors or prospective investors in the Securities, the Rating Agencies, and service providers relating to the Securitization. In the event that the Disclosure Document is required to be revised prior to the sale of all Securities, upon request, Borrower shall reasonably cooperate with the holder of the Note, at such holder's sole expense, in updating the Provided Information for inclusion or summary in the Disclosure Document by providing all current information pertaining to Borrower and the Property reasonably requested by Lender and which is customarily provided by borrowers in connection with similar securitizations.

14.3.2 Indemnification Certificate. In connection with each applicable Disclosure Document, Borrower agrees to provide, at Lender's reasonable request, an indemnification certificate (at no material cost to Borrower):

(a) certifying that Borrower has carefully examined those portions of such memorandum or prospectus, as applicable, reasonably designated in writing by Lender for Borrower's review pertaining to Borrower, the Property, Guarantor and/or the Provided Information (which Provided Information relates solely to the Citibank Lease) and insofar as such sections or portions thereof specifically pertain to Borrower, the Property, Guarantor or such Provided Information (such portions so provided by Lender, the "Relevant Portions"), the Relevant Portions do not (except to the extent specified by Borrower if Borrower does not agree with the statements therein), as of the date of such certificate, to Borrower's Knowledge, contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading.

(b) indemnifying Lender and the Affiliates of Deutsche Bank Securities, Inc. (collectively, "DBS") that have prepared the Disclosure Document relating to the Securitization, each of its directors, each of its officers who have signed the Disclosure Document and each person or entity who controls DBS within the meaning of Section 15 of the Securities Act or Section 20 of the Exchange Act (collectively, the "DBS Group"), and DBS, together with the DBS Group, each of their respective directors and each person who controls DBS or the DBS Group, within the meaning of Section 15 of the Securities Act and Section 20 of the Exchange Act (collectively, the "Underwriter Group") for any actual, out-of-pocket losses, third party claims, damages (excluding lost profits, diminution in value and other consequential damages) or liabilities arising out of third party claims (the "Liabilities") to which any member of the Underwriter Group may become subject to the extent such Liabilities arise out of or are based upon any untrue statement of any material fact relating to Borrower, Guarantor, the Property and/or the Provided Information (which Provided Information relates solely to the Citibank Lease) contained in the Relevant Portions and in the Provided Information or arise out of or are

based upon the omission by Borrower to state therein a material fact required to be stated in the Relevant Portions in order to make the statements in the Relevant Portions in light of the circumstances under which they were made, not misleading (except that (i) Borrower's obligation to indemnify in respect of any information contained in a Disclosure Document that is derived in part from information provided by Borrower or any Affiliate of Borrower and in part from information provided by others unrelated to or not employed by Borrower shall be limited to any untrue statement or omission of material fact therein known to Borrower that results directly from an error in any information provided (or which should have been provided) by Borrower and (ii) Borrower shall have no responsibility for (A) the failure of any member of the Underwriting Group to accurately transcribe written information supplied by Borrower or to include such portions of the Provided Information, (B) any statements contained in any Disclosure Document to which Borrower or its authorized representatives have objected or which have been updated pursuant to the above provisions, (C) descriptions of risks of the offering (including legal or tax risks), (D) numbers which have been submitted by Borrower and adjusted by the Underwriter Group from those submitted by Borrower, to the extent of such adjustment and (E) third party reports, such as environmental and physical condition reports and information regarding Citibank and its Affiliates (other than the Citibank Lease)). The indemnity contained in the indemnification certificate will be in addition to any liability which Borrower may otherwise have.

(c) The indemnification certificate shall provide that Borrower's liability under clauses (a) and (b) of the indemnification certificate shall be limited to Liabilities arising out of or based upon any such untrue statement or omission made in a Disclosure Document in reliance upon and in conformity with information furnished to Lender by Borrower or its Affiliates or authorized representatives in connection with the preparation of those portions of the relevant Disclosure Document pertaining to Borrower, the Property, the Citibank Lease and/or Guarantor, including financial statements of Borrower.

(d) The indemnification certificate shall also provide that promptly after receipt by an indemnified party of notice of any claim or the commencement of any action covered by the indemnification certificate, such indemnified party will notify the indemnifying party in writing of such claim or the commencement of such action, but the omission to so notify the indemnifying party will not relieve the indemnifying party from any liability which the indemnifying party may have to any indemnified party thereunder except to the extent that failure to notify causes prejudice to the indemnifying party. In the event that any action is brought against any indemnified party, and it notifies the indemnifying party of the commencement thereof, the indemnifying party will be entitled, jointly with any other indemnifying party, to participate therein and, to the extent that it (or they) may elect by written notice delivered to the indemnified party who sent such notice within a reasonable period of time after receiving the aforesaid notice from such indemnified party, to assume the defense thereof with counsel reasonably satisfactory to such indemnified party. After such notice from the indemnifying party to such indemnified party of its assumption of such defense, the indemnifying party shall not be liable for any legal or other expenses subsequently incurred by such indemnified party in connection with the defense thereof; provided, however, if an indemnified party and the indemnifying party and the indemnified party shall have reasonably concluded that there are any legal defenses available to it that are different from or in conflict with those available to the indemnifying party, or indemnified party or parties shall have the right to select separate counsel to assert such legal defenses and to otherwise participate in the defense of such action on behalf of such indemnified party or parties at the expense of the indemnifying party. Provided no Event of Default has occurred and is continuing, Lender shall not be entitled to settle any claim which is being indemnified by Borrower under this Section 14.3 without the consent of Borrower, which consent shall not be unreasonably withheld, conditioned or delayed.

(e) The indemnification certificate shall also provide that in order to provide for just and equitable contribution in circumstances in which the indemnity provided for therein is for any reason held to be unenforceable by an indemnified party in respect of any actual, out-of-pocket losses, claims, damages or liabilities relating to third party claims (or action in respect thereof) referred to therein which would otherwise be indemnifiable thereunder, the indemnifying party shall contribute to the amount paid or payable by the indemnified party as a result of such actual, out of pocket losses, third party claims, damages or liabilities (or action in respect thereof) (but excluding damages for lost profits, diminution in value of the Property and consequential damages); provided, however, that no person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Securities Act) shall be entitled to contribution for Liabilities arising therefrom from any person who was not guilty of such fraudulent misrepresentation. In determining the amount of contribution to which the respective parties are entitled, the following factors shall be considered: (i) the DBS Group's and Borrower's relative knowledge and access to information concerning the matter with respect to which the claim was asserted; (ii) the opportunity to correct and prevent any statement or omission; (iii) the limited responsibilities and obligations of Borrower as specified herein; and (iv) any other equitable considerations appropriate in the circumstances.

14.4 Retention of Servicer. Lender reserves the right, at Lender's sole cost and expense, to retain the Servicer. Lender has advised Borrower that the Servicer initially retained by Lender shall be Midland Loan Services, Inc. Borrower shall pay any reasonable third-party fees and expenses, including, without limitation, special servicing fees, work-out fees, fees of the Servicer in connection with any proposed modification or assumption of the Loan and reasonable attorneys fees and disbursements, as applicable, in connection with a prepayment, Defeasance, assumption or modification of the Loan, special servicing or work-out of the Loan or enforcement of the Loan Documents. Except as set forth in the preceding sentence, Lender shall pay the fees of the Servicer.

XV. ASSIGNMENTS AND PARTICIPATIONS

15.1 Assignment and Acceptance. Lender may assign to one or more Persons all or a portion of its rights and obligations under this Agreement and the other Loan Documents (including, without limitation, all or a portion of the Note); provided that the parties to each such assignment shall execute and deliver to Lender, for its acceptance and recording in the Register (as hereinafter defined), an Assignment and Acceptance. In addition, Lender may participate to one or more Persons all or any portion of its rights and obligations under this Agreement and the other Loan Documents (including without limitation, all or a portion of the Note) utilizing such documentation to evidence such participation and the parties' respective rights thereunder as Lender, in its sole discretion, shall elect.

15.2 Effect of Assignment and Acceptance. Upon such execution, delivery, acceptance and recording, from and after the effective date specified in such Assignment and Acceptance, (i) the assignee thereunder shall be a party hereto and, to the extent that rights and obligations hereunder have been assigned to it pursuant to such Assignment and Acceptance, have the rights and obligations of Lender, as the case may be, hereunder and such assignee shall be deemed to have assumed such rights and obligations, and (ii) Lender shall, to the extent that rights and obligations hereunder have been assigned by it pursuant to such Assignment and Acceptance, relinquish its rights and be released from its obligations under this Agreement and the other Loan Documents (and, in the case of an Assignment and Acceptance covering all or the remaining portion of Lender's rights and obligations under this Agreement and the other Loan Documents, Lender shall cease to be a party hereto) accruing from and after the effective date of the Assignment and Acceptance, except with respect to (A) any payments made by Borrower to Lender pursuant to the terms of the Loan Documents after the effective date of the Assignment and Acceptance and (B) any letter of credit, cash deposit or other deposits or security (other than the Lien of the Security Instrument and the other Loan Documents) delivered to or for the benefit of or deposited with German American Capital Corporation, as Lender, for which German American Capital Corporation shall remain responsible for the proper disposition thereof until such items are delivered to a party who is qualified as an Approved Bank and agrees to hold the same in accordance with the terms and provisions of the agreement pursuant to which such items were deposited. If Lender no longer owns any interest in the Loan, Lender shall deliver possession of the Note and the other Loan Documents to the assignee and shall reasonably cooperate to insure that title to all Loan Documents is held in the name of such assignee.

15.3 Content. By executing and delivering an Assignment and Acceptance, Lender and the assignee thereunder confirm to and agree with each other and the other parties hereto as follows: (i) other than as provided in such Assignment and Acceptance, Lender makes no representation or warranty and assumes no responsibility with respect to any statements, warranties or representations made in or in connection with this Agreement or any other Loan Documents or the execution, legality, validity, enforceability, genuineness, sufficiency or value of, or the perfection or priority of any lien or security interest created or purported to be created under or in connection with, this Agreement or any other Loan Documents or any other instrument or document furnished pursuant hereto or thereto; (ii) Lender makes no representation or warranty and assumes no responsibility with respect to the financial condition of Borrower or the performance or observance by Borrower of any of its obligations under any Loan Documents or any other instrument or document furnished pursuant thereto; (iii) such assignee confirms that it has received a copy of this Agreement, together with copies of such other documents and information as it has deemed appropriate to make its own credit analysis and decision to enter into such Assignment and Acceptance; (iv) such assignee will, independently and without reliance upon Lender and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under this Agreement and the other Loan Documents; (v) such assignee appoints and authorizes Lender to take such action as agent on its behalf and to exercise such powers and discretion under the Loan Documents as are delegated to Lender by the terms hereof together with such powers and discretion as are reasonably incidental thereto; and (vi) such assignee agrees that it will perform, in accordance with their terms, all of the obligations which by the terms of this Agreement and the other Loan Documents are required to be performed by Lender.

15.4 Register. Lender shall maintain a copy of each Assignment and Acceptance delivered to and accepted by it and a register for the recordation of the names and addresses of Lender and each assignee pursuant to this Article XV and the principal amount of the Loan owing to each such assignee from time to time (the "Register"). The entries in the Register shall, with respect to such assignees, be conclusive and binding for all purposes, absent manifest error. The Register shall be available for inspection by Borrower or any assignee pursuant to this Article XV at any reasonable time and from time to time upon reasonable prior written notice.

15.5 Substitute Notes. Upon its receipt of an Assignment and Acceptance executed by an assignee, together with any Note or Notes subject to such assignment, Lender shall, if such Assignment and Acceptance has been completed and is in substantially the form of Exhibit M hereto, (i) accept such Assignment and Acceptance, (ii) record the information contained therein in the Register, and (iii) give prompt written notice thereof to Borrower. Within ten (10) Business Days after its receipt of such notice, if Lender so requests, Borrower, at Lender's own expense, shall execute and deliver to Lender in exchange and substitution for the surrendered Note or Notes a new Note to the order of such assignee in an amount equal to the portion of the Loan assigned to it and a new Note to the order of Lender in an amount equal to the portion of the Loan retained by it hereunder. Such new Note or Notes shall be in an aggregate principal amount equal to the aggregate then outstanding principal amount of such surrendered Note or Notes, shall be dated the effective date of such Assignment and Acceptance and shall otherwise be in substantially the form of the Note (modified, however, to the extent necessary so as not to impose duplicative or increased obligations on Borrower and to delete obligations previously satisfied by Borrower). The parties shall make such changes to the Loan Documents as are reasonably required to reflect the substitute Notes as any party may reasonably request. Notwithstanding the provisions of Section 2.4 or this Article XV, Borrower shall not be responsible or liable for any additional taxes, reserves, adjustments or other costs and expenses that are related to, or arise as a result of, any transfer of the Loan or any interest or participation therein that arise solely and exclusively from (or would not have been incurred but for) the transfer of the Loan or any interest or participation therein or from the execution of the new Note contemplated by this Section 15.5, including, without limitation, any mortgage tax. Lender and/or the assignees, as the case may be, shall at all times designate one agent through which Borrower shall request all approvals and consents required or contemplated by this Agreement and make all deliveries to and on whose statements Borrower may rely as if executed by all parties who own an interest in the Note.

15.6 Participations. Each assignee pursuant to this Article XV may sell participations to one or more Persons (other than Borrower or any of its Affiliates) in or to all or a portion of its rights and obligations under this Agreement and the other Loan Documents (including, without limitation, all or a portion of the Note held by it); provided, however, that (i) such assignee's obligations under this Agreement and the other Loan Documents shall remain unchanged, (ii) such assignee shall remain solely responsible to the other parties hereto for the performance of such obligations, (iii) such assignee shall remain the holder of any such Note for all purposes of this Agreement and the other Loan Documents, and (iv) Borrower, Lender and the assignees pursuant to this Article XV shall continue to deal solely and directly with such assignee in connection with such assignee's rights and obligations under this Agreement and the other Loan Documents. In the event that more than one (1) party comprises Lender, Lender shall designate one party to act on the behalf of all parties comprising Lender in providing approvals and all other necessary consents under the Loan Documents and on whose statements Borrower may rely.

15.7 Disclosure of Information. Any assignee pursuant to this Article XV may, in connection with any assignment or participation or proposed assignment or participation pursuant to this Article XV, disclose to the assignee or participant or proposed assignee or participant, any information relating to Borrower furnished to such assignee by or on behalf of Borrower; provided, however, that, prior to any such disclosure, the assignee or participant or proposed assignee or participant shall agree in writing for the benefit of Borrower to preserve the confidentiality of any confidential information received by it.

15.8 Security Interest in Favor of Federal Reserve Bank. Notwithstanding any other provision set forth in this Agreement or any other Loan Document, any assignee pursuant to this Article XV may at any time create a security interest in all or any portion of its rights under this Agreement or the other Loan Documents (including, without limitation, the amounts owing to it and the Note or Notes held by it) in favor of any Federal Reserve Bank in accordance with Regulation A of the Board of Governors of the Federal Reserve System.

XVI. RESERVE ACCOUNTS; COLLATERAL LETTERS OF CREDIT

16.1 TI and Leasing Reserve Account.

(a) Borrower shall deposit, or cause to be deposited into the TI and Leasing Reserve Account, immediately after Borrower's receipt thereof, an amount equal to any Surrender Fee(s) (as defined in the Citibank Lease) received by Borrower pursuant to the Citibank Lease (any amount on deposit in the TI and Leasing Reserve Account, the "TI and Leasing Reserve Amount") and the same shall be held by Cash Management Bank on Lender's behalf as additional security for the Loan and disbursed in accordance with this Section 16.1 and Section 3.1.

(b) Provided that no Monetary Default or Event of Default shall have occurred and be continuing, Lender shall make disbursements from the TI and Leasing Reserve Account to Borrower from time to time, but not more than once during each calendar month, to pay for costs (collectively, "TI and Leasing Costs") incurred by Borrower for (A) tenant improvements or allowances ("TI Work") required under any New Lease or Lease Modification demising any Surrender Space (as defined in the Citibank Lease), provided that with respect to any such New Lease or Lease Modification, as applicable, each such New Lease or Lease Modification complies with the terms and provisions of this Agreement and (B) leasing commissions (including any so-called "override" leasing commissions which may be due and then payable to any leasing or rental agent engaged by Borrower for the Property in the event that an agent other than such agent shall also be entitled to a leasing commission) incurred by Borrower in connection with any such New Lease or Lease Modification ("Leasing Commissions"), provided that, other than with respect to any commissions which are paid pursuant to any Management Agreement for which Lender's approval has been obtained, such leasing commissions and "override" leasing commissions are reasonable and customary for properties similar to the Property and the portion of the Property leased for which such leasing commission and "override" leasing commission is due, in each case in the manner provided herein.

(c) As between Lender and Borrower, Borrower shall be obligated to fund directly to such Tenants or third parties, as the case may be, all TI and Leasing Costs in excess of sums available for disbursement from the TI and Leasing Reserve Account.

(d) The obligation of Lender to make a disbursement from the TI and Leasing Reserve Account for TI and Leasing Costs shall be subject to the satisfaction of the following further conditions precedent before or concurrently with the date of such disbursement:

(i) Borrower (or Manager) shall have delivered to Lender (if not previously delivered), without duplication (x) a certified copy of the fully executed New Lease or Lease Modification, as applicable, to which the applicable TI and Leasing Costs relate and (y) a certified copy of any related leasing, brokerage, fee or commission agreement entered into with respect thereto;

(ii) Borrower shall have delivered to Lender, at least five (5) Business Days prior to the date of the proposed disbursement, an Officer's Certificate certifying (x) the amounts then due and payable for TI and Leasing Costs or which have been paid for TI and Leasing Commissions by or on behalf of Borrower and as to which no previous disbursement under this Section 16.1(d) has been made (together with an invoice for, or other reasonable evidence of, such amounts), (y) that all previously disbursed amounts have been paid in accordance with any prior certification and (z) that all conditions precedent to Borrower's obligation, as landlord, to fund Borrower's share of the cost of the portion in question of such tenant work have been satisfied by such Tenant or waived in good faith by Borrower; and

(iii) no Monetary Default or Event of Default shall have occurred and is then continuing.

(e) Provided that (i) no Event of Default shall have occurred and is then continuing, (ii) the Anticipated Repayment Date shall not have occurred, (iii) the Citibank Tenant shall have exercised its right to surrender any Surrender Space (as defined in the Citibank Lease) during the Tranche 1 Surrender Notice Period (as defined in the Citibank Lease) and (iv) Borrower shall have entered into Leases (which Leases have been consented to by Lender or comply with the terms of Section 8.8) with respect to which Tenants thereunder have commenced occupying at least ninety percent (90%) of such surrendered space, then any excess funds remaining in the TI and Leasing Reserve Account which relate solely to Surrender Fees (as defined in the Citibank Lease) payable in respect of the exercise of such rights shall be promptly released to Borrower (it being agreed that in no event shall the terms of this Section 16.1(e) require Lender to release to Borrower any funds in the TI and Leasing Reserve Account which relate to Surrender Fees payable in respect of the exercise by the Citibank Tenant of its right to surrender any Surrender Space (as defined in the Citibank Lease) during the Tranche 2 Surrender Notice Period (as defined in the Citibank Lease)).

(f) Provided that (i) no Event of Default shall have occurred and is then continuing, (ii) the Anticipated Repayment Date shall not have occurred, (iii) Borrower shall have provided Lender with evidence reasonably satisfactory to Lender of the substantial completion of all TI Work and the payment of all Leasing Commissions that are payable with respect to any New Leases and Lease Modifications entered into by Borrower with respect to any Tranche 2

Surrender Space (as defined in the Citibank Lease), solely to the extent necessary for Borrower to satisfy the DSCR Test pursuant to clause (v) below, (iv) either of the following events shall have occurred: (x) the expiration of the Tranche 2 Surrender Notice Period (as defined in the Citibank Lease); (y) the Citibank Tenant shall have exercised its option to surrender 100% of the Surrender Space (as defined in the Citibank Lease) which the Citibank Tenant is entitled to surrender during the Tranche 2 Surrender Notice Period (as defined in the Citibank Lease), whether pursuant to the Existing Citibank Lease or the Amended and Restated Lease; or (z) the waiver by the Citibank Tenant of the right to surrender any further space pursuant to such Sections; and (v) after giving effect to any exercise by the Citibank Tenant of its options to surrender any space in accordance with Article 4 of the Citibank Lease (and the subsequent lease-up of such space by Borrower), the DSCR Test shall be satisfied (provided, however, the condition set forth in this clause (v) shall not be required to be satisfied if, after the expiration of the Tranche 2 Surrender Notice Period, the Existing Citibank Lease shall remain in full force and effect), then any excess funds remaining in the TI and Leasing Reserve Account which relate solely to Surrender Fees (as defined in the Citibank Lease) payable in respect of the exercise of such rights shall be promptly released to Borrower (it being agreed that in no event shall the terms of this Section 16.1(f) require Lender to release to Borrower any funds in the TI and Leasing Reserve Account which relate to Surrender Fees payable in respect of the exercise by the Citibank Tenant of its right to surrender any Surrender Space (as defined in the Citibank Lease) during the Tranche 1 Surrender Notice Period (as defined in the Citibank Lease))

16.2 Collateral Letters of Credit.

(a) On or prior to each of September 1, 2013, March 1, 2014 and September 1, 2014, Borrower shall provide a Collateral Letter of Credit to Lender (i.e., so that on September 1, 2014, the aggregate amount of all Collateral Letters of Credit provided to Lender under this Section 16.2(a) shall equal Thirty Million Dollars ($30,000,000)), which Collateral Letters of Credit shall serve as additional collateral for the Loan and shall be drawn upon as provided in this Section 16.2 or in the definition of "Letter of Credit", as applicable.

(b) Upon (i) the occurrence of an Event of Default or (ii) the failure of Borrower to repay the entire Indebtedness on or prior to the Anticipated Repayment Date, Lender shall be entitled to draw down on all or a portion of the Collateral Letters of Credit and apply the proceeds therefrom against any portion of the Indebtedness or any shortfall in principal or interest payments required to be made under the Note and, in the case of any failure of Borrower to repay the entire Indebtedness on or prior to the Anticipated Repayment Date, Lender may draw down on any of Collateral Letters of Credit and apply the same on each Payment Date as a partial prepayment of the outstanding principal Indebtedness. Notwithstanding anything to the contrary contained herein, if after the earlier to occur of (x) the expiration of the Tranche 2 Surrender Notice Period (as defined in the Citibank Lease), (y) the date on which the Citibank Tenant exercises its option to surrender space which results in 100% of the Surrender Space (as defined in the Citibank Lease) which the Citibank Tenant is entitled to surrender during the Tranche 2 Surrender Notice Period (as defined in the Citibank Lease) being surrendered, whether pursuant to the Existing Citibank Lease or the Amended and Restated Lease, and (z) the Citibank Tenant waiving any further right to surrender space under such Sections, all of the Collateral Letter of Credit Release Conditions have been satisfied, then Lender shall (A) return the Collateral Letters of Credit to Borrower along with a letter to the issuing bank thereof canceling

the Collateral Letters of Credit and (B) cause the Cash Management Bank to transfer all funds then remaining in the Collateral Accounts (other than funds remaining in the TI and Leasing Reserve Account, which funds shall be disbursed in accordance with Section 16.1) to the Borrower's Account or as Borrower may otherwise direct. For purposes of this Section 16.2(b), the term "Collateral Letter of Credit Release Conditions" means, collectively, the following conditions:

(I) no Event of Default shall have occurred and be continuing;

(II) the Anticipated Repayment Date shall not have occurred; and

(III) after giving effect to any exercise by the Citibank Tenant of its options to surrender any space in accordance with Article 4 of the Citibank Lease (and the subsequent lease-up of such space by Borrower), the DSCR Test shall be satisfied; provided, however, the condition set forth in this clause (III) shall not be required to be satisfied if, after the expiration of the Tranche 2 Surrender Notice Period, the Existing Citibank Lease shall remain in full force and effect.

16.3 Letters of Credit. Notwithstanding anything to the contrary contained herein, if at any time any additional security is required to be posted under any of the Loan Documents and the posting of a Letter of Credit in respect of such obligation would cause the amount of all outstanding Letters of Credit issued on the basis of any third party's credit to exceed, in the aggregate, ten percent (10%) of the Principal Amount, then Borrower shall be required to post Cash or Cash Equivalents in an amount equal to such excess in lieu of such Letter of Credit (unless Borrower shall deliver to Lender an Additional Non-Consolidation Opinion which is reasonably acceptable to Lender).

XVII. DEFAULTS

17.1 Event of Default.

(a) Each of the following events shall constitute an event of default hereunder (an "Event of Default"):

(i) if (A) the Indebtedness is not paid in full on the Maturity Date, (B) any regularly scheduled monthly payment of interest due under the Note is not paid in full on or before the date which is five (5) days after the applicable Payment Date (or, if such day is not a Business Day, then on the immediately preceding Business Day), (C) any prepayment of principal due under this Agreement or the Note (other than a prepayment under Section 4(a)(A) of the Note) is not paid within five (5) days after the same is due (or, if such day is not a Business Day, then on the immediately preceding Business Day), (D) the Liquidated Damages Amount or the Yield Maintenance Premium is not paid when due, (E) any deposit to the Collection Account is not made within five (5) days after notice is delivered to Borrower that such deposit was not made on the required deposit date therefor; or (F) except as to any amount included in (A), (B), (C), (D) and/or (E) of this clause (i), any other amount payable to Lender pursuant to this Agreement, the Note or any other Loan Document is not paid in full when due and payable in accordance with the provisions of the applicable Loan Document, with such failure continuing for ten (10) Business Days after Lender delivers written notice thereof to Borrower;

(ii) subject to Borrower's or the Citibank Tenant's right to contest as set forth in Section 7.3, (A) if and for so long as the Existing Citibank Lease is in full force and effect, (1) if any of the Impositions or Other Charges constituting real estate taxes and assessments are not paid within five (5) Business Days after the expiration of the sixty (60) day period occurring immediately after such Impositions or Other Charges become due (plus the number of additional days during which any Leasehold Mortgagee shall be entitled to cure such default pursuant to Section 43.02(a) of the Existing Citibank Lease) or (2) if any of the Impositions or Other Charges not constituting real estate taxes or assessments are not paid within five (5) Business Days after the expiration of the sixty (60) day period occurring immediately after Borrower obtains knowledge that such Impositions or Other Charges have not been paid when the same became due (plus the number of additional days during which any Leasehold Mortgagee shall be entitled to cure such default pursuant to Section 43.02(a) of the Existing Citibank Lease); provided, however, if the aggregate amount of such Impositions or Other Charges under this clause (2) does not exceed an amount equal to Five Million Dollars ($5,000,000), then the sixty (60) day period set forth in this clause (2) shall be measured from the date on which Lender provides Borrower notice of the failure to pay such Impositions or Other Charges, or (B) from and after the date on which the Existing Citibank Lease has been amended and restated pursuant to the Amended and Restated Lease, if any of the Impositions or Other Charges are not paid within ten (10) Business Days after the same are due;

(iii) (A) if and for so long as (I) the Existing Citibank Lease shall be in full force and effect, (II) the Citibank Tenant has not exercised the Insurance Election (as defined in the Existing Citibank Lease) and (III) Citibank (or its Corporate Successor (as defined in the Existing Citibank Lease)) has a long-term credit rating of at least "A-" (or its equivalent) by S&P, or any successor in interest, and Moody's, or any successor in interest, if the Citibank Tenant shall fail to obtain the insurance required to be maintained pursuant to Article 9 of the Existing Citibank Lease within thirty (30) days after notice thereof from Lender to Borrower of such failure or (B) if the Existing Citibank Lease shall no longer be in full force and effect and/or the Citibank Tenant has exercised the Insurance Election (as defined in the Existing Citibank Lease), if the insurance policies required by Section 6.1 are not kept in full force and effect, or if an Officer's Certificate attaching true and correct copies of any of such insurance policies are not delivered to Lender within thirty (30) days after the later to occur of (x) the effective date of such insurance policies or (y) the date on which such insurance policies are readily obtainable from the insurance provider, unless valid certificates evidencing such insurance policies are provided by the insurance provider to Lender, in which event the notice and cure periods set forth in clause (xx) below shall apply;

(iv) if, except as permitted pursuant to Article VIII or elsewhere in the Loan Documents, (a) any direct or indirect Transfer of any legal, beneficial or equitable interest in all or any portion of the Property (other than unintentional violations by Borrower of the provisions of this Loan Agreement with respect to Transfers of personal property, in which event Borrower shall be entitled to cure such Default within five (5) days after Lender provides notice thereof to Borrower), (b) any Transfer of any direct or indirect interest in Borrower, (c) subject to Section 7.3, any easement, Lien, covenant or restriction is granted by Borrower or any other Person over

all or any portion of the Property (other than any Citibank Lien so long as either (1) the Existing Citibank Lease shall then be in full force and effect, (2) the Citibank Tenant shall then have a long-term credit rating of at least "A-" (or its equivalent) by S&P, or any successor in interest, and Moody's, or any successor in interest, or (3) in the case of any Liens, the aggregate amount secured by any such Lien(s) at any one time outstanding shall not exceed an amount equal to Five Million Dollars ($5,000,000)), or (d) the filing of a declaration of condominium with respect to the Property;

(v) if any, representation or warranty made by Borrower herein or by Borrower, Guarantor or any Affiliate of Borrower in any other Loan Document, or in any report, certificate, financial statement or other instrument, agreement or document furnished to Lender shall have been false or misleading in any material respect as of the date the representation or warranty was made;

(vi) if Borrower, Sole Member, any SPE Entity or Guarantor shall make an assignment for the benefit of creditors;

(vii) if a receiver, liquidator or trustee shall be appointed for Borrower, Sole Member, any SPE Entity or Guarantor or if Borrower, Sole Member, any SPE Entity or Guarantor shall be adjudicated a bankrupt or insolvent, or if any petition for bankruptcy, reorganization or arrangement pursuant to federal bankruptcy law, or any similar federal or state law, shall be filed by or against, consented to, or acquiesced in by, Borrower, Sole Member, any SPE Entity or Guarantor, or if any proceeding for the dissolution or liquidation of Borrower, Sole Member, any SPE Entity or Guarantor shall be instituted; provided, however, if such appointment, adjudication, petition or proceeding was involuntary and not consented to by Borrower, Sole Member, any SPE Entity or Guarantor upon the same not being discharged, stayed or dismissed within ninety (90) days;

(viii) if Borrower or Sole Member, as applicable, attempts to assign its rights under this Agreement or any of the other Loan Documents or any interest herein or therein in contravention of the Loan Documents;

(ix) with respect to any term, covenant or provision set forth herein (other than the other subsections of this Section 17.1) which specifically contains a notice requirement or grace period (where such term, covenant or provision expressly states that the failure to cure within such notice or grace period shall be an "Event of Default"), if Borrower, any SPE Entity or Guarantor shall be in default under such term, covenant or condition after the giving of such notice and the expiration of such grace period;

(x) if (1) any of the assumptions contained in the Non-Consolidation Opinion, in any Additional Non-Consolidation Opinion or in any other non-consolidation opinion delivered to Lender in connection with the Loan, or in any other non-consolidation delivered subsequent to the closing of the Loan, is or shall become untrue in any material respect, where such occurrence would, in Lender reasonable judgment, reasonably be expected to result in a significant risk of a consolidation of any SPE Entity with a non-SPE Entity; or (2) any of the assumptions contained in the Non-Consolidation Opinion, in any Additional Non-Consolidation Opinion or in any other non-consolidation opinion delivered to Lender in connection with the Loan, or in any other non-consolidation delivered subsequent to the closing of the Loan, is or shall become untrue in any material respect, where such occurrence would not, in Lender reasonable judgment, reasonably be expected to result in a significant risk of a consolidation of any SPE Entity with a non-SPE Entity and Borrower shall fail to cure same within ten (10) days after Borrower obtains knowledge thereof;

(xi) if Borrower shall fail to provide Lender with each of the Collateral Letters of Credit on or prior to the dates set forth in Section 16.2;

(xii) if (1) Borrower shall fail to comply with any covenants set forth in Section 5.1.4, Section 5.2.9 and 5.2.22 where such failure would, in Lender reasonable judgment, reasonably be expected to result in a significant risk of a consolidation of any SPE Entity with a non-SPE Entity or (2) Borrower shall fail to comply with any covenants set forth in Section 5.1.4, Section 5.2.9 and 5.2.22 where such failure would not, in Lender reasonable judgment, reasonably be expected to result in a significant risk of a consolidation of any SPE Entity with a non-SPE Entity and Borrower shall fail to cure same within ten (10) days after Borrower obtains knowledge thereof;

(xiii) except as provided clause (xii) above, if Borrower shall fail to comply with any covenants set forth in Article XI with such failure continuing for ten (10) Business Days after Lender delivers written notice thereof to Borrower;

(xiv) if Borrower shall fail to comply with any covenants set forth in Section 4 or Section 3(d) or Section 8 of the Security Instrument with such failure continuing for ten (10) Business Days after Lender delivers written notice thereof to Borrower;

(xv) if this Agreement or any other Loan Document or any Lien granted hereunder or thereunder, in whole or in part, shall terminate or shall cease to be effective or shall cease to be a legally valid, binding and enforceable obligation of Borrower or any Guarantor, or any Lien securing the Indebtedness shall, in whole or in part, cease to be a perfected first priority Lien, subject to the Permitted Encumbrances (except in any of the foregoing cases in accordance with the terms hereof or under any other Loan Document or by reason of any affirmative act or omission of Lender), and the same would, in Lender's reasonable judgment, reasonably be expected to result in a Material Adverse Effect;

(xvi) if the Management Agreement is terminated and a Qualified Manager is not appointed as a replacement manager pursuant to the provisions of Section 5.2.14 within sixty (60) days after such termination;

(xvii) if (1) for so long as the Existing Citibank Lease is in full force and effect, Borrower shall default beyond the expiration of any applicable cure period under any existing easement, covenant or restriction which affects the Property, the default of which shall have a Material Adverse Effect, and such default shall not be cured by the date which is three (3) Business Days after the expiration of any applicable notice and cure period in favor of the Citibank Tenant under the Existing Citibank Lease or (2) if the Existing Citibank Lease is no longer in full force and effect, Borrower shall default beyond the expiration of any applicable cure period under any existing easement, covenant or restriction which affects the Property, the default of which shall have a Material Adverse Effect;

(xviii) if (A) there shall occur any default by Borrower under the Citibank Lease in the observance or performance of any material term, covenant or condition of the Citibank Lease and said default is not cured prior to the date which is ten (10) Business Days after Lender provides written notice thereof to Borrower and such default shall have a Material Adverse Effect, (B) any one or more of the events referred to in the Citibank Lease shall occur which would give the Citibank Tenant the right to terminate the Citibank Lease (other than in the case of the occurrence of any material casualty or condemnation) and said default is not cured prior to the date which is ten (10) Business Days after Lender provides written notice thereof to Borrower, (C) the Citibank Lease shall be surrendered, terminated or canceled other that pursuant to the termination or surrender right of the Citibank Tenant provided in the Citibank Lease, or (D) any of the terms, covenants or conditions of the Citibank Lease shall in any manner be modified, changed, supplemented, altered or amended in contradiction of the provisions of Section 8.8 without the prior written consent of Lender, which consent may be withheld in Lender's sole discretion, where said default is not cured prior to the date which is ten (10) Business Days after Lender provides written notice thereof to Borrower;

(xix) except for Permitted Encumbrances or as otherwise permitted pursuant to Article VIII or elsewhere in the Loan Documents, and subject to Section 7.3, so long as either (1) the Existing Citibank Lease shall then be in full force and effect, (2) the Citibank Tenant shall then have a long-term credit rating of at least "A-" (or its equivalent) by S&P, or any successor in interest, and Moody's, or any successor in interest, or (3) in the case of any Liens, the aggregate amount secured by any such Lien(s) at any one time outstanding shall not exceed an amount equal to Five Million Dollars ($5,000,000), there shall exist any Citibank Lien encumbering all or any portion of the Property which Borrower shall fail to remove or discharge by the date which is three (3) Business Days after the expiration of any applicable notice and cure period in favor of the Citibank Tenant under the Citibank Lease;

(xx) if (A) the Existing Citibank Lease shall be in full force and effect and if Borrower shall continue to be in Default under any of the other terms, covenants or conditions of this Agreement or of any Loan Document not specified in subsections (i) to (xix) above, for the period which is five (5) Business Days after the expiration of the sixty (60) day period after notice from Lender is delivered to Borrower (plus the number of additional days during which any Leasehold Mortgagee shall be entitled to cure such default pursuant to Section 43.02(a) of the Existing Citibank Lease); provided, however, that if such Default is susceptible of cure but cannot reasonably be cured within such period and, provided further, that Borrower shall have commenced to cure such Default within such period and thereafter diligently proceeds to cure the same, such period shall be extended for such time as is reasonably necessary for Borrower in the exercise of due diligence to cure such Default or (B) the Existing Citibank Lease shall have been amended and restated pursuant to the Amended and Restated Lease and Borrower shall continue to be in Default under any of the other terms, covenants or conditions of this Agreement or of any Loan Document not specified in subsections (i) to (xix) above, for thirty (30) days after notice from Lender; provided, however, that if such Default is susceptible of cure but cannot reasonably be cured within such thirty (30) day period, and provided further, that Borrower shall have commenced to cure such Default within such thirty (30) day period and thereafter diligently proceeds to cure the same, such thirty (30) day period shall be extended for such time as is reasonably necessary for Borrower in the exercise of due diligence to cure such Default, such additional period not to exceed one hundred eighty (180) days.

(b) In order to be effective hereunder, all notices of Default shall reference that the same is a notice of Default being delivered in accordance with Section 17.1(a) of the Loan Agreement.

(c) Unless waived in writing by Lender, upon the occurrence and during the continuance of an Event of Default (other than an Event of Default described in clauses (a)(vi), (vii) or (viii) above) Lender may, without notice or demand, in addition to any other rights or remedies available to it pursuant to this Agreement and the other Loan Documents or at law or in equity, take such action that Lender deems advisable to protect and enforce its rights against Borrower and in the Property, including, without limitation, (i) declaring immediately due and payable the entire Principal Amount together with interest thereon and all other sums due by Borrower under the Loan Documents, (ii) collecting interest on the Principal Amount at the Default Rate whether or not Lender elects to accelerate the Note and (iii) enforcing or availing itself of any or all rights or remedies set forth in the Loan Documents against Borrower and the Property, including, without limitation, all rights or remedies available at law or in equity; and upon any Event of Default described in subsections (a)(vi) or (a)(vii) above, the Indebtedness and all other obligations of Borrower hereunder and under the other Loan Documents shall immediately and automatically become due and payable, without notice or demand, and Borrower hereby expressly waives any such notice or demand, anything contained herein or in any other Loan Document to the contrary notwithstanding. The foregoing provisions shall not be construed as a waiver by Lender of its right to pursue any other remedies available to it under this Agreement, the Security Instrument or any other Loan Document. Any payment hereunder may be enforced and recovered in whole or in part at such time by one or more of the remedies provided to Lender in the Loan Documents.

17.2 Remedies.

(a) Unless waived in writing by Lender, upon the occurrence and during the continuance of an Event of Default, all or any one or more of the rights, powers, privileges and other remedies available to Lender against Borrower under this Agreement or any of the other Loan Documents executed and delivered by, or applicable to, Borrower or at law or in equity may be exercised by Lender at any time and from time to time, whether or not all or any of the Indebtedness shall be declared due and payable, and whether or not Lender shall have commenced any foreclosure proceeding or other action for the enforcement of its rights and remedies under any of the Loan Documents with respect to the Property. Any such actions taken by Lender shall be cumulative and concurrent and may be pursued independently, singly, successively, together or otherwise, at such time and in such order as Lender may determine in its sole discretion, to the fullest extent permitted by law, without impairing or otherwise affecting the other rights and remedies of Lender permitted by law, equity or contract or as set forth herein or in the other Loan Documents. Without limiting the generality of the foregoing, Borrower agrees that, to the maximum extent permitted by law, if an Event of Default is continuing (i) Lender shall not be subject to any one action or election of remedies law or rule and (ii) all liens and other rights, remedies or privileges provided to Lender shall remain in full force and effect until Lender has exhausted all of its remedies against the Property and the Security Instrument has been foreclosed, sold and/or otherwise realized upon in satisfaction of the Indebtedness or the Indebtedness has been paid in full.

(b) Upon the occurrence and during the continuance of an Event of Default, with respect to the Account Collateral, Lender may:

(i) without notice to Borrower, except as required by law, and at any time or from time to time, charge, set-off and otherwise apply all or any part of the Account Collateral against the Obligations, Operating Expenses and/or Capital Expenditures for the Property or any part thereof;

(ii) in Lender's sole discretion, at any time and from time to time, exercise any and all rights and remedies available to it under this Agreement, and/or as a secured party under the UCC;

(iii) demand, collect, take possession of or receipt for, settle, compromise, adjust, sue for, foreclose or realize upon the Account Collateral (or any portion thereof) as Lender may determine in its sole discretion; and

(iv) take all other actions provided in, or contemplated by, this Agreement.

(c) With respect to Borrower, the Account Collateral and the Property, nothing contained herein or in any other Loan Document shall be construed as requiring Lender to resort to the Property for the satisfaction of any of the Indebtedness, and Lender may seek satisfaction out of the Property or any part thereof, in its absolute discretion in respect of the Indebtedness. In addition, Lender shall have the right from time to time to partially foreclose this Agreement and the Security Instrument in any manner and for any amounts secured by this Agreement or the Security Instrument then due and payable as determined by Lender in its sole discretion including, without limitation, the following circumstances: (i) in the event Borrower defaults beyond any applicable grace period in the payment of one or more scheduled payments of principal or interest, Lender may foreclose this Agreement and the Security Instrument to recover such delinquent payments, or (ii) in the event Lender elects to accelerate less than the entire outstanding principal balance of the Loan, Lender may foreclose this Agreement and the Security Instrument to recover so much of the principal balance of the Loan as Lender may accelerate and such other sums secured by this Agreement or the Security Instrument as Lender may elect. Notwithstanding one or more partial foreclosures, the Property shall remain subject to this Agreement and the Security Instrument to secure payment of sums secured by this Agreement and the Security Instrument and not previously recovered.

17.3 Remedies Cumulative; Waivers. The rights, powers and remedies of Lender under this Agreement and the Security Instrument shall be cumulative and not exclusive of any other right, power or remedy which Lender may have against Borrower pursuant to this Agreement or the other Loan Documents, or existing at law or in equity or otherwise. Lender's rights, powers and remedies may be pursued singly, concurrently or otherwise, at such time and in such order as Lender may determine in Lender's sole discretion. No delay or omission to exercise any remedy, right or power accruing upon an Event of Default shall impair any such remedy, right or power or shall be construed as a waiver thereof, but any such remedy, right or power may be exercised from time to time and as often as may be deemed expedient. A waiver of one Default or Event of Default with respect to Borrower or Guarantor shall not be construed to be a waiver of any subsequent Default or Event of Default by Borrower or Guarantor or to impair any remedy, right or power consequent thereon.

17.4 Costs of Collection. In the event that after an Event of Default: (i) the Note or any of the Loan Documents is placed in the hands of an attorney for collection or enforcement or is collected or enforced through any legal proceeding; (ii) an attorney is retained to represent Lender in any bankruptcy, reorganization, receivership, or other proceedings affecting creditors' rights and involving a claim under the Note or any of the Loan Documents; or (iii) an attorney is retained to protect or enforce the lien or any of the terms of this Agreement, the Security Instrument or any of the Loan Documents; then Borrower shall pay to Lender all reasonable attorney's fees, costs and expenses actually incurred in connection therewith, including costs of appeal, together with interest on any judgment obtained by Lender at the Default Rate.

XVIII. SPECIAL PROVISIONS

18.1 Exculpation.

18.1.1 Exculpated Parties. Except as set forth in this Section 18.1 (as to Borrower) or the Recourse Guaranty (as to Guarantor), no personal liability shall be asserted, sought or obtained by Lender or enforced against (i) Borrower, (ii) any Affiliate of Borrower, (iii) any Person owning, directly or indirectly, any legal or beneficial interest in Borrower or any Affiliate of Borrower or (iv) any direct or indirect partner, member, principal, officer, Controlling Person, beneficiary, trustee, advisor, shareholder, employee, agent, Affiliate or director of any Persons described in clauses (i) through (iii) above (collectively, the "Exculpated Parties") and none of the Exculpated Parties shall have any personal liability (whether by suit, deficiency judgment or otherwise) in respect of the Obligations, this Agreement, the Security Instrument, the Note, the Property or any other Loan Document, or the making, issuance or transfer thereof, all such liability, if any, being expressly waived by Lender. The foregoing limitation shall not in any way limit or affect Lender's right to any of the following and Lender shall not be deemed to have waived any of the following:

(a) Foreclosure of the lien of this Agreement and the Security Instrument in accordance with the terms and provisions set forth herein and in the Security Instrument;

(b) Action against any other security at any time given to secure the payment of the Note and the other Obligations;

(c) Exercise of any other remedy set forth in this Agreement or in any other Loan Document which is not inconsistent with the terms of this Section 18.1;

(d) Any right which Lender may have under Sections 506(a), 506(b), 1111(b) or any other provisions of the Bankruptcy Code to file a claim for the full amount of the Indebtedness secured by this Agreement and the Security Instrument or to require that all collateral shall continue to secure all of the Indebtedness owing to Lender in accordance with the Loan Documents; or

(e) The liability of any given Exculpated Party with respect to any separate written guaranty or agreement given by any such Exculpated Party in connection with the Loan (including, without limitation, the Recourse Guaranty); it being agreed that as of the Closing Date there are no such separate guaranties or agreements other than the Recourse Guaranty.

18.1.2 Carveouts From Non-Recourse Limitations. Notwithstanding the foregoing or anything in this Agreement or any of the Loan Documents to the contrary, there shall at no time be any limitation on Borrower's or, to the extent provided in the Recourse Guaranty, Guarantor's liability for the payment, to Lender of:

(a) any loss, damage, cost or expense incurred by or on behalf of Lender by reason of the fraudulent acts of Borrower or any Affiliate of Borrower;

(b) Proceeds which Borrower or any Affiliate of Borrower has received and to which Lender is entitled pursuant to the terms of this Agreement or any of the Loan Documents to the extent the same have not been applied toward payment of the Indebtedness, or used for the repair or replacement of the Property in accordance with the provisions of this Agreement;

(c) all loss, damage, cost or expense incurred by Lender and arising from any intentional misrepresentation of Borrower or any Affiliate of Borrower;

(d) any misappropriation of Surrender Fees or Security Deposits by any Manager, Borrower or any Affiliate of Borrower;

(e) any loss, damage, cost or expense incurred by or on behalf of Lender by reason of all or any part of the Property, the Account Collateral being encumbered by any voluntary Lien in violation of the Loan Documents;

(f) after the occurrence and during the continuance of an Event of Default, any Rents collected by Borrower or any Affiliate of Borrower (other than Rent sent to the Collection Account or paid directly to Lender or in accordance with its direction) and not applied to payment of the Obligations or used to pay normal and verifiable Operating Expenses of the Property or otherwise applied in a manner permitted under the Loan Documents;

(g) any loss, damage, cost or expense incurred by or on behalf of Lender by reason of any physical damage to the Property from intentional waste committed by Borrower or any Affiliate of Borrower;

(h) any loss, damage, cost or expense incurred by or on behalf of Lender by reason of any Transfer of the Property or direct or indirect interests in Borrower in violation of any of the provisions of Article VIII;

(i) any and all liabilities, obligations, losses, damages, costs and expenses (including, without limitation, reasonable attorneys' fees, causes of action, suits, claims, demands and adjustments of any nature or description whatsoever) which may at any time be imposed upon, incurred by or awarded against Lender, in the event (and arising out of such circumstances) that (x) an involuntary case is commenced against Borrower under the Bankruptcy Code with the collusion of Borrower or any of its Affiliates or (y) an order for relief is entered with respect to Borrower under the Bankruptcy Code through the actions of Borrower or any of its Affiliates at a time when Borrower is able to pay its debts as they become due unless Borrower and Guarantor shall have received an opinion of independent counsel that the members of Borrower have a fiduciary duty to seek such an order for relief; or

(j) any loss, damage, cost or expense incurred by or on behalf of Lender by reason of the failure of Borrower to comply with any of the provisions of Section 5.1.4 or 5.1.5 which result in a consolidation of any SPE Entity with a non-SPE Entity, other than any provision which requires Borrower to maintain adequate capitalization or prohibits Borrower from causing another Person to become insolvent unless such Person becomes insolvent by reason of the failure of Borrower to comply with any of the other provisions of Section 5.1.4 or 5.1.5.

(k) reasonable attorney's fees and expenses incurred by Lender in connection with any successful suit filed on account of any of the foregoing clauses (a) through (j).

XIX. MISCELLANEOUS

19.1 Survival. This Agreement and all covenants, indemnifications, agreements, representations and warranties made herein and in the certificates delivered pursuant hereto shall survive the making by Lender of the Loan and the execution and delivery to Lender of the Note, and shall continue in full force and effect so long as all or any of the Indebtedness is outstanding and unpaid, or assigned, released or satisfied pursuant to Section 2.3.3 or 9.1, as applicable, unless a longer period is expressly set forth herein or in the other Loan Documents. Whenever in this Agreement any of the parties hereto is referred to, such reference shall be deemed to include the successors and assigns of such party. All covenants, promises and agreements in this Agreement, by or on behalf of Borrower, shall inure to the benefit of the successors and assigns of Lender. If Borrower consists of more than one person, the obligations and liabilities of each such person hereunder and under the other Loan Documents shall be joint and several.

19.2 Lender's Discretion. Whenever pursuant to this Agreement, Lender exercises any right given to it to approve or disapprove, or any arrangement or term is to be satisfactory to Lender, the decision of Lender to approve or disapprove or to decide whether arrangements or terms are satisfactory or not satisfactory shall be (except as is otherwise specifically herein provided) in the sole discretion of Lender and final and conclusive.

19.3 Governing Law.

(A) THIS AGREEMENT WAS NEGOTIATED IN THE STATE OF NEW YORK, THE LOAN WAS MADE BY LENDER AND ACCEPTED BY BORROWER IN THE STATE OF NEW YORK, WHICH STATE THE PARTIES AGREE HAS A SUBSTANTIAL RELATIONSHIP TO THE PARTIES AND TO THE UNDERLYING TRANSACTION EMBODIED HEREBY, AND IN ALL RESPECTS, INCLUDING, WITHOUT LIMITING THE GENERALITY OF THE FOREGOING, MATTERS OF CONSTRUCTION, VALIDITY AND PERFORMANCE, THIS AGREEMENT AND THE OBLIGATIONS ARISING HEREUNDER SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK APPLICABLE TO CONTRACTS MADE AND PERFORMED IN SUCH STATE (WITHOUT REGARD TO PRINCIPLES OF CONFLICT OF LAWS) AND ANY APPLICABLE LAW OF THE UNITED STATES OF AMERICA. TO THE FULLEST EXTENT PERMITTED BY LAW, BORROWER HEREBY UNCONDITIONALLY AND IRREVOCABLY WAIVES ANY CLAIM TO ASSERT THAT THE LAW OF ANY OTHER JURISDICTION GOVERNS THIS AGREEMENT AND THE NOTE, AND THIS AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK PURSUANT TO SECTION 5-1401 OF THE NEW YORK GENERAL OBLIGATIONS LAW.

ANY LEGAL SUIT, ACTION OR PROCEEDING AGAINST LENDER OR BORROWER ARISING OUT OF OR RELATING TO THIS AGREEMENT MAY BE INSTITUTED IN ANY FEDERAL OR STATE COURT IN QUEENS COUNTY, NEW YORK OR IN THE CITY OF NEW YORK, COUNTY OF NEW YORK, STATE OF NEW YORK PURSUANT TO SECTION 5-1402 OF THE NEW YORK GENERAL OBLIGATIONS LAW AND EACH OF LENDER AND BORROWER WAIVES ANY OBJECTIONS WHICH IT MAY NOW OR HEREAFTER HAVE BASED ON VENUE AND/OR FORUM NON CONVENIENS OF ANY SUCH SUIT, ACTION OR PROCEEDING, AND EACH OF LENDER AND BORROWER HEREBY IRREVOCABLY SUBMITS TO THE JURISDICTION OF ANY SUCH COURT IN ANY SUIT, ACTION OR PROCEEDING.

19.4 Modification, Waiver in Writing. No modification, amendment, extension, discharge, termination or waiver of any provision of this Agreement, or of the Note, or of any other Loan Document, or consent to any departure therefrom, shall in any event be effective unless the same shall be in a writing signed by the party against whom enforcement is sought, and then such waiver or consent shall be effective only in the specific instance, and for the purpose, for which given. Except as otherwise expressly provided herein, no notice to or demand on Borrower shall entitle Borrower to any other or future notice or demand in the same, similar or other circumstances.

19.5 Delay Not a Waiver. Neither any failure nor any delay on the part of Lender in insisting upon strict performance of any term, condition, covenant or agreement, or exercising any right, power, remedy or privilege hereunder, or under the Note or under any other Loan Document, or any other instrument given as security therefor, shall operate as or constitute a waiver thereof, nor shall a single or partial exercise thereof preclude any other future exercise, or the exercise of any other right, power, remedy or privilege. In particular, and not by way of limitation, by accepting payment after the due date of any amount payable under this Agreement, the Note or any other Loan Document, Lender shall not be deemed to have waived any right either to require prompt payment when due of all other amounts due under this Agreement, the Note or the other Loan Documents, or to declare a default for failure to effect prompt payment of any such other amount.

19.6 Notices. All notices, consents, approvals and requests required or permitted hereunder or under any other Loan Document shall be given in writing and shall be effective for all purposes if hand delivered or sent by (a) certified or registered United States mail, postage prepaid, return receipt requested, (b) expedited prepaid delivery service, either commercial or United States Postal Service, with proof of attempted delivery or (c) for notices, other than a notice of Default, telecopier (with answer back acknowledged), addressed as follows (or at such other address and Person as shall be designated from time to time by any party hereto, as the case may be, in a written notice to the other parties hereto in the manner provided for in this Section 19.6):

If to Lender: German American Capital Corporation
60 Wall Street, 10th floor
New York, NY 10005
Attention: Eric Schwartz and General Counsel
Telecopy No.: (212) 250-4542
Confirmation No.: (212) 797-4488

With a copy to: Midland Loan Services, Inc.
10851 Mastin
Suite 300
Overland Park, KS 66210
Attention: Portfolio Management
Telecopy No.: (913) 253-9001
Confirmation No.: (913) 253-9000

With a copy to: Skadden, Arps, Slate, Meagher & Flom LLP
Four Times Square
New York, New York 10036
Attention: Harvey R. Uris, Esq.
Telecopy No.: (917) 777-2212
Confirmation No.: (212) 735-3000

If to Borrower: c/o Reckson Associates Realty Corp.
225 Broadhollow Road
Melville, New York 11747
Attention: Michael Maturo
Telecopy No.: (631) 622-8994
Confirmation No.: (631) 694-6900

With a copy to: Reckson Associates Realty Corp.
225 Broadhollow Road
Melville, New York 11747
Attention: General Counsel
Telecopy No.: (631) 622-8994
Confirmation No.: (631) 694-6900

With a copy to: Fried, Frank, Harris, Shriver & Jacobson LLP
One New York Plaza
New York, NY 10004
Attention: Joshua Mermelstein, Esq.
Telecopy No.: (212) 859-4000
Confirmation No.: (212) 859-8000

All notices, elections, requests and demands under this Agreement shall be effective and deemed received upon the earliest of (i) the actual receipt of the same by personal delivery or otherwise, (ii) one (1) Business Day after being deposited with a nationally recognized overnight courier service as required above, (iii) three (3) Business Days after being deposited in the United States mail as required above or (iv) if facsimile delivery is permitted, as provided above, on the day sent if sent by facsimile with confirmation on or before 5:00 p.m. New York time on any Business Day or on the next Business Day if so delivered after 5:00 p.m. New York time or on any day other than a Business Day. Rejection or other refusal to accept or the inability to deliver because of changed address of which no notice was given as herein required shall be deemed to be receipt of the notice, election, request, or demand sent.

19.7 TRIAL BY JURY. BORROWER AND LENDER AND ALL PERSONS CLAIMING BY, THROUGH OR UNDER THEM, HEREBY EXPRESSLY, KNOWINGLY, VOLUNTARILY AND INTENTIONALLY WAIVES ANY RIGHT TO TRIAL BY JURY OF ANY CLAIM, DEMAND, ACTION OR CAUSE OF ACTION (I) ARISING UNDER THIS AGREEMENT, THE SECURITY INSTRUMENT, THE NOTE OR ANY OTHER LOAN DOCUMENT, INCLUDING, WITHOUT LIMITATION, ANY PRESENT OR FUTURE MODIFICATION THEREOF OR (II) IN ANY WAY CONNECTED WITH OR RELATED OR INCIDENTAL TO THE DEALINGS OF THE PARTIES HERETO OR ANY OF THEM WITH RESPECT TO THIS AGREEMENT, THE SECURITY INSTRUMENT, THE NOTE OR ANY OTHER LOAN DOCUMENT (AS NOW OR HEREAFTER MODIFIED) OR ANY OTHER INSTRUMENT, DOCUMENT OR AGREEMENT EXECUTED OR DELIVERED IN CONNECTION HEREWITH, OR THE TRANSACTIONS RELATED HERETO OR THERETO, IN EACH CASE WHETHER SUCH CLAIM, DEMAND, ACTION OR CAUSE OF ACTION IS NOW EXISTING OR HEREAFTER ARISING, AND WHETHER SOUNDING IN CONTRACT OR TORT OR OTHERWISE; AND BORROWER AND LENDER HEREBY AGREE AND CONSENTS THAT AN ORIGINAL COUNTERPART OR A COPY OF THIS SECTION MAY BE FILED WITH ANY COURT AS WRITTEN EVIDENCE OF THE CONSENT HERETO TO THE WAIVER OF ANY RIGHT TO TRIAL BY JURY. BORROWER AND LENDER ACKNOWLEDGE THAT THEY HAVE CONSULTED WITH LEGAL COUNSEL REGARDING THE MEANING OF THIS WAIVER AND BORROWER ACKNOWLEDGES THAT THIS WAIVER IS AN ESSENTIAL INDUCEMENT FOR THE MAKING OF THE LOAN. THIS WAIVER SHALL SURVIVE THE REPAYMENT OF THE LOAN.

19.8 Headings. The Article and/or Section headings and the Table of Contents in this Agreement are included herein for convenience of reference only and shall not constitute a part of this Agreement for any other purpose.

19.9 Severability. Wherever possible, each provision of this Agreement shall be interpreted in such manner as to be effective and valid under applicable law, but if any provision of this Agreement shall be prohibited by or invalid under applicable law, such provision shall be ineffective to the extent of such prohibition or invalidity, without invalidating the remainder of such provision or the remaining provisions of this Agreement.

19.10 Preferences. To the extent Borrower makes a payment or payments to Lender, which payment or proceeds or any part thereof are subsequently invalidated, declared to be fraudulent or preferential, set aside or required to be repaid to a trustee, receiver or any other party under any bankruptcy law, state or federal law, common law or equitable cause, then, to the extent of such payment or proceeds received, the obligations hereunder or part thereof intended to be satisfied shall be revived and continue in full force and effect, as if such payment or proceeds had not been received by Lender.

19.11 Waiver of Notice. Borrower shall not be entitled to any notices of any nature whatsoever from Lender except with respect to matters for which this Agreement or the other Loan Documents specifically and expressly provide for the giving of notice by Lender to Borrower and except with respect to matters for which Borrower is not, pursuant to applicable Legal Requirements, permitted to waive the giving of notice. Borrower hereby expressly waives the right to receive any notice from Lender with respect to any matter for which this Agreement or the other Loan Documents do not specifically and expressly provide for the giving of notice by Lender to Borrower.

19.12 Expenses; Indemnity

(a) Borrower covenants and agrees to pay or, if Borrower fails to pay, to reimburse, Lender within ten (10) Business Days after receipt of written notice from Lender (together with evidence reasonably required to establish same) for all reasonable costs and expenses (including reasonable attorneys' fees and disbursements) incurred by Lender in connection with: (i) the preparation, negotiation, execution and delivery of this Agreement and the other Loan Documents and the origination of the Loan and all the costs of furnishing all opinions by counsel for Borrower (including without limitation any opinions requested by Lender pursuant to this Agreement); (ii) Lender's ongoing performance of and compliance with all agreements and conditions contained in this Agreement and the other Loan Documents on its part to be performed or complied with after the Closing Date; (iii) the negotiation, preparation, execution, delivery and administration of any consents, amendments, waivers or other modifications to this Agreement and the other Loan Documents and any other documents or matters as required herein or under the other Loan Documents; (iv) the filing and recording fees and expenses, mortgage recording taxes (subject to Borrower's right to contest same in accordance herewith), title insurance and other similar expenses incurred in creating and perfecting the Lien in favor of Lender pursuant to this Agreement and the other Loan Documents; (v) enforcing or preserving any rights, in response to third party claims or the prosecuting or defending of any action or proceeding or other litigation (subject to Borrower's rights under Section 19.12(b)), in each case against, under or affecting Borrower, this Agreement, the other Loan Documents, the Property, or any other security given for the Loan; (vi) enforcing any obligations of or collecting any payments due from Borrower under this Agreement, the other Loan Documents or in connection with any refinancing or restructuring of the credit arrangements provided under this Agreement in the nature of a work-out or of any insolvency or bankruptcy proceedings; and (vii) after the occurrence and during the continuance of an Event of Default, where the Existing Citibank Lease is no longer in full force and effect and/or the Citibank Tenant has elected the Insurance Election (as defined in the Existing Citibank Lease) thereunder, procuring any insurance policies required pursuant to Section 6.1.11, where Lender is entitled thereunder to procure same; provided, however, that Borrower shall not be liable for the payment of any such costs and expenses to the extent the same arise (A) by reason of the gross negligence, illegal acts, fraud or willful misconduct of Lender or (B) in connection with a Securitization, other than Borrower's internal

administrative costs and external legal costs (but the foregoing shall not require Borrower to pay any legal costs which Lender is expressly obligated to pay pursuant to Article XIV or the standard monthly servicing fees of the Servicer). Notwithstanding anything to the contrary contained above, except as set forth in Section 14.4, Borrower shall not be liable under this Section 19.12(a) for any fees of the Servicer. Any cost and expenses due and payable to Lender may be paid from any amounts in the Collection Account or the Holding Account.

(b) Subject to the non-recourse provisions of Section 18.1, Borrower shall protect, indemnify and save harmless Lender, and all officers, directors, stockholders, members, partners, employees, agents, successors and assigns thereof (collectively, the "Indemnified Parties") from and against all liabilities, obligations, claims, damages, penalties, causes of action, costs and expenses (including all reasonable attorneys' fees and expenses actually incurred) imposed upon or incurred by or asserted against the Indemnified Parties or the Property or any part of its interest therein, by reason of the occurrence or existence of any of the following (to the extent Proceeds payable on account of the following shall be inadequate; it being understood that in no event will the Indemnified Parties be required to actually pay or incur any costs or expenses as a condition to the effectiveness of the foregoing indemnity) prior to (i) the acceptance by Lender or its designee of a deed-in-lieu of foreclosure with respect to the Property, or (ii) an Indemnified Party or its designee taking possession or control of the Property or (iii) the foreclosure of the Security Instrument, except to the extent caused by the actual willful misconduct or gross negligence of the Indemnified Parties (other than such willful misconduct or gross negligence imputed to the Indemnified Parties because of their interest in the Property): (1) ownership of Borrower's interest in the Property, or any interest therein, or receipt of any Rents or other sum therefrom, (2) any accident, injury to or death of any persons or loss of or damage to property occurring on or about the Property or any Appurtenances thereto, (3) any design, construction, operation, repair, maintenance, use, non-use or condition of the Property or Appurtenances thereto, including claims or penalties arising from violation of any Legal Requirement or Insurance Requirement, as well as any claim based on any patent or latent defect, whether or not discoverable by Lender, any claim the insurance as to which is inadequate, and any Environmental Claim, (4) any Default under this Agreement or any of the other Loan Documents or any failure on the part of Borrower to perform or comply with any of the terms of any Lease or REA within the applicable notice or grace periods, (5) any performance of any labor or services or the furnishing of any materials or other property in respect of the Property or any part thereof, (6) any negligence or tortious act or omission on the part of Borrower or any of its agents, contractors, servants, employees, sublessees, licensees or invitees, (7) any contest referred to in Section 7.3 hereof, (8) any obligation or undertaking relating to the performance or discharge of any of the terms, covenants and conditions of the landlord contained in the Leases, or (9) the presence at, in or under the Property or the Improvements of any Hazardous Materials in violation of any Environmental Law. Any amounts the Indemnified Parties are legally entitled to receive under this Section which are not paid within fifteen (15) Business Days after written demand therefor by the Indemnified Parties or Lender, setting forth in reasonable detail the amount of such demand and the basis therefor, shall bear interest from the date of demand (or such later date as such Indemnified Party shall have paid or incurred the amount in question) at the Default Rate, and shall, together with such interest, be part of the Indebtedness and secured by the Security Instrument. In case any action, suit or proceeding is brought against the Indemnified Parties by reason of any such occurrence, Borrower shall at Borrower's expense resist and defend such action, suit or proceeding or will cause the same to be resisted and

defended by counsel for the Citibank Tenant, by counsel for the insurer of the liability or by counsel designated by Borrower (unless, in the latter case, reasonably disapproved by Lender promptly after Lender has been notified of such counsel designated by Borrower); provided, however, that nothing herein shall compromise the right of Lender (or any Indemnified Party) to appoint its own counsel at Borrower's expense for its defense with respect to any action which in its reasonable opinion presents a conflict or potential conflict between Lender and Borrower that would make such separate representation advisable; provided further that if Lender shall have appointed separate counsel pursuant to the foregoing, Borrower shall not be responsible for the expense of additional separate counsel of any Indemnified Party unless in the reasonable opinion of Lender a conflict or potential conflict exists between such Indemnified Party and Lender. So long as an insurer or the Citibank Tenant is defending such claim, action, suit or proceeding, or Borrower is resisting and defending such claim, action, suit or proceeding as provided above in a commercially reasonable manner, Lender and the Indemnified Parties shall not be entitled to settle or adjust such claim, action, suit or proceeding without Borrower's consent which shall not be unreasonably withheld or delayed, and claim the benefit of this Section with respect to such claim, action, suit or proceeding and Lender agrees that it will not settle or adjust any such claim, action, suit or proceeding without the consent of Borrower; provided, however, that if (1) an insurer or the Citibank Tenant is not defending such claim, action, suit or proceeding, (2) Borrower is not diligently defending such claim, action, suit or proceeding in a prudent and commercially reasonable manner as provided above, and (3) Lender has provided Borrower with thirty (30) days' prior written notice, or shorter period if mandated by the requirements of applicable law, and opportunity to correct such determination, then Lender may settle or adjust such claim, action, suit or proceeding and claim the benefit of this Section 19.12 with respect to settlement or adjustment of such claim, action, suit or proceeding with the consent of Borrower, such consent not to be unreasonably withheld. Any Indemnified Party will give Borrower prompt notice after such Indemnified Party obtains actual knowledge of any potential claim and of any action, suit or proceeding which is brought, in each case, for which such Indemnified Party is entitled to indemnification hereunder. The Indemnified Parties shall not settle or adjust any action, suit, proceeding or claim as to which it is indemnified hereunder without notice to Borrower and only when it is entitled to do so.

(c) Provided no Event of Default has occurred and is continuing, each Indemnified Party will reasonably cooperate with any defense of any such action, suit, proceeding or claim as to which it is indemnified hereunder (at no cost to such Indemnified Party), including pursuant to Section 18.02 of the Citibank Lease. Subject to the provisions of Section 19.12(b) and provided no Event of Default has occurred and is continuing, Borrower may settle any such action, suit, proceeding or claim without the consent of the applicable Indemnified Party so long as such Indemnified Party is fully and finally released from any liability in connection therewith.

19.13 Exhibits and Schedules Incorporated. The Exhibits and Schedules annexed hereto are hereby incorporated herein as a part of this Agreement with the same effect as if set forth in the body hereof.

19.14 Offsets, Counterclaims and Defenses. Any assignee of Lender's interest in and to this Agreement, the Note and the other Loan Documents shall take the same free and clear of all offsets, counterclaims or defenses which are unrelated to such documents which Borrower may otherwise have against any assignor of such documents, and no such unrelated counterclaim or defense shall be interposed or asserted by Borrower in any action or proceeding brought by any such assignee upon such documents and any such right to interpose or assert any such unrelated offset, counterclaim or defense in any such action or proceeding is hereby expressly waived by Borrower.

19.15 Liability of Assignees of Lender. No assignee of Lender shall have any personal liability, directly or indirectly, under or in connection with this Agreement or any other Loan Document or any amendment or amendments hereto made at any time or times, heretofore or hereafter, any different than the liability of Lender hereunder. In addition, no assignee shall have at any time or times hereafter any personal liability, directly or indirectly, under or in connection with or secured by any agreement, lease, instrument, encumbrance, claim or right affecting or relating to the Property or to which the Property is now or hereafter subject any different than the liability of Lender hereunder. The limitation of liability provided in this Section 19.15 is (i) in addition to, and not in limitation of, any limitation of liability applicable to the assignee provided by law or by any other contract, agreement or instrument, and (ii) shall not apply to any assignee's gross negligence or willful misconduct.

19.16 No Joint Venture or Partnership; No Third Party Beneficiaries.

(a) Borrower and Lender intend that the relationships created hereunder and under the other Loan Documents be solely that of borrower and lender. Nothing herein or therein is intended to create a joint venture, partnership, tenancy-in-common, or joint tenancy relationship between Borrower and Lender nor to grant Lender any interest in the Property other than that of mortgagee, beneficiary or lender.

(b) This Agreement and the other Loan Documents are solely for the benefit of Lender and Borrower and nothing contained in this Agreement or the other Loan Documents shall be deemed to confer upon anyone other than Lender and Borrower any right to insist upon or to enforce the performance or observance of any of the obligations contained herein or therein. All conditions to the obligations of Lender to make the Loan hereunder are imposed solely and exclusively for the benefit of Lender and no other Person shall have standing to require satisfaction of such conditions in accordance with their terms or be entitled to assume that Lender will refuse to make the Loan in the absence of strict compliance with any or all thereof and no other Person shall under any circumstances be deemed to be a beneficiary of such conditions, any or all of which may be freely waived in whole or in part by Lender if, in Lender's sole discretion, Lender deems it advisable or desirable to do so.

19.17 Publicity. All news releases, publicity or advertising (except that which is required by law (including any applicable securities laws or rules of any securities self-regulating organizations) by Borrower or its Affiliates through any media intended to reach the general public which refers to the Loan Documents or the financing evidenced by the Loan Documents, to Lender, or any of its Affiliates shall be subject to the prior written approval of Lender, not to be unreasonably withheld or delayed. Lender acknowledges that Borrower may issue a press release with respect to the Loan upon the closing thereof. Such press release shall be subject to the consent of Lender, which consent shall not be unreasonably withheld or delayed.

19.18 Waiver of Marshalling of Assets. To the fullest extent permitted by law, Borrower, for itself and its successors and assigns, waives all rights to a marshalling of the assets of Borrower, Borrower's members and others with interests in Borrower and of the Property, and agrees not to assert any right under any laws pertaining to the marshalling of assets, the sale in inverse order of alienation, homestead exemption, the administration of estates of decedents, or any other matters whatsoever to defeat, reduce or affect the right of Lender under the Loan Documents to a sale of the Property for the collection of the Indebtedness without any prior or different resort for collection or of the right of Lender to the payment of the Indebtedness out of the net proceeds of the Property in preference to every other claimant whatsoever.

19.19 Waiver of Counterclaim and other Actions. Borrower hereby expressly and unconditionally waives, in connection with any suit, action or proceeding brought by Lender on this Agreement, the Note, the Security Instrument or any Loan Document, any and every right it may have to (i) interpose any counterclaim therein (other than a counterclaim which can only be asserted in the suit, action or proceeding brought by Lender on this Agreement, the Note, the Security Instrument or any Loan Document and cannot be maintained in a separate action) and (ii) have any such suit, action or proceeding consolidated with any other or separate suit, action or proceeding.

19.20 Conflict; Construction of Documents; Reliance. In the event of any conflict between the provisions of this Agreement and any of the other Loan Documents, the provisions of this Agreement shall control. The parties hereto acknowledge that they were represented by competent counsel in connection with the negotiation, drafting and execution of the Loan Documents and that such Loan Documents shall not be subject to the principle of construing their meaning against the party which drafted same. Borrower acknowledges that, with respect to the Loan, Borrower shall rely solely on its own judgment and advisors in entering into the Loan without relying in any manner on any statements, representations or recommendations of Lender or any parent, subsidiary or Affiliate of Lender. Lender shall not be subject to any limitation whatsoever in the exercise of any rights or remedies available to it under any of the Loan Documents or any other agreements or instruments which govern the Loan by virtue of the ownership by it or any parent, subsidiary or Affiliate of Lender of any equity interest any of them may acquire in Borrower, and Borrower hereby irrevocably waives the right to raise any defense or take any action on the basis of the foregoing with respect to Lender's exercise of any such rights or remedies. Borrower acknowledges that Lender engages in the business of real estate financings and other real estate transactions and investments which may be viewed as adverse to or competitive with the business of Borrower or its Affiliates.

19.21 Prior Agreements. This Agreement and the other Loan Documents contain the entire agreement of the parties hereto and thereto in respect of the transactions contemplated hereby and thereby, and all prior agreements among or between such parties, whether oral or written, are superseded by the terms of this Agreement and the other Loan Documents and unless specifically set forth in a writing contemporaneous herewith the terms, conditions and provisions of any and all such prior agreements do not survive execution of this Agreement.

19.22 Counterparts. This Agreement may be executed in multiple counterparts, each of which shall constitute an original, but all of which shall constitute one document.

19.23 Notice of Certain Occurrences. In addition to all other notices required to be given by Borrower hereunder, Borrower shall give notice to Lender promptly upon the occurrence of: (a) any Default; (b) any litigation or proceeding affecting Borrower or the Property or any part thereof in which the amount involved is $1,000,000 (either individually or in the aggregate) or more and not covered by insurance or in which injunctive or similar relief is sought and likely to be obtained; (c) a material adverse change in the business, operations, property or financial condition of Borrower or the Property; and (d) any material default by the Citibank Tenant under the Citibank Lease.

19.24 Citibank Lease. Borrower shall act in a commercially reasonable manner to enforce its rights against the Citibank Tenant under the Citibank Lease in the event of a material default by the Citibank Tenant thereunder.

[NO FURTHER TEXT ON THIS PAGE]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed by their duly authorized representatives, all as of the day and year first above written.

BORROWER:

RECKSON COURT SQUARE, LLC, a Delaware limited liability company

By: One Court Square Holdings, LLC, a Delaware limited liability company, its sole member

By: Reckson Operating Partnership, L.P., a Delaware limited partnership, its sole member

By: Reckson Associates Realty Corp., a Maryland corporation, its general partner

By: _____
Name:
Title:

[Lender's signature appears on following page]

LENDER:

GERMAN AMERICAN CAPITAL
CORPORATION, a Maryland corporation

By: _____
Name:
Title:

By: _____
Name:
Title:

RECKSON OPERATING PARTNERSHIP, L. P.
EXHIBIT 31.1
CERTIFICATION OF SCOTT H. RECHLER, CHAIRMAN OF THE BOARD, CHIEF EXECUTIVE OFFICER, PRESIDENT AND DIRECTOR OF RECKSON ASSOCIATES REALTY CORP., THE SOLE GENERAL PARTNER OF THE REGISTRANT, PURSUANT TO RULE 13a - 14(a)/15(d) - 14(a)

I, Scott H. Rechler, certify that:

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

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Registrant as of, and for, the periods presented in this report;

4. The Registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Registrant and have:

   a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) evaluated the effectiveness of the Registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) disclosed in this report any change in the Registrant's internal control over financial reporting that occurred during the Registrant's most recent fiscal quarter (the Registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the Registrant's internal control over financial reporting; and

5. The Registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Registrant's auditors and the audit committee of Reckson Associates Realty Corp., the sole general partner of the Registrant's board of directors (or persons performing the equivalent functions):

   a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Registrant's ability to record, process, summarize and report financial information; and

   b) any fraud, whether or not material, that involves management or other employees who have a significant role in the Registrant's internal control over financial reporting.

Date: August 8, 2005

/s/ Scott H. Rechler

Scott H. Rechler
Chairman of the Board, Chief Executive Officer,

	President and Director of Reckson Associates Realty Corp., the sole general partner of the Registrant

RECKSON OPERATING PARTNERSHIP, L. P.
EXHIBIT 31.2
CERTIFICATION OF MICHAEL MATURO, EXECUTIVE VICE PRESIDENT, TREASURER AND CHIEF FINANCIAL OFFICER OF RECKSON ASSOCIATES REALTY CORP., THE SOLE GENERAL PARTNER OF THE REGISTRANT, PURSUANT TO RULE 13a - 14(a)/15(d) - 14(a)

I, Michael Maturo, certify that:

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

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Registrant as of, and for, the periods presented in this report;

4. The Registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Registrant and have:

   a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) evaluated the effectiveness of the Registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) disclosed in this report any change in the Registrant's internal control over financial reporting that occurred during the Registrant's most recent fiscal quarter (the Registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the Registrant's internal control over financial reporting; and

5. The Registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Registrant's auditors and the audit committee of Reckson Associates Realty Corp., the sole general partner of the Registrant's board of directors (or persons performing the equivalent functions):

   a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Registrant's ability to record, process, summarize and report financial information; and

   b) any fraud, whether or not material, that involves management or other employees who have a significant role in the Registrant's internal control over financial reporting.

Date: August 8, 2005

/s/ Michael Maturo

Michael Maturo
Executive Vice President, Treasurer
and Chief Financial Officer of Reckson
Associates Realty Corp.,
the sole general partner of the Registrant

RECKSON OPERATING PARTNERSHIP, L. P.
EXHIBIT 32.1
CERTIFICATION OF SCOTT H. RECHLER, CHAIRMAN OF THE BOARD, CHIEF EXECUTIVE OFFICER, PRESIDENT AND DIRECTOR OF RECKSON ASSOCIATES REALTY CORP., THE SOLE GENERAL PARTNER OF THE REGISTRANT, PURSUANT TO SECTION 1350 OF CHAPTER 63 OF TITLE 18 OF THE UNITED STATES CODE

I, Scott H. Rechler, Chairman of the Board, Chief Executive Officer, President and Director of Reckson Associates Realty Corp., the sole general partner of Reckson Operating Partnership, L. P. (the "Company"), certify pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350, that:

1) The Quarterly Report on Form 10-Q of the Company for the quarterly period ended June 30, 2005 (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m or 78o(d)); and

2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: August 8, 2005

By /s/ Scott H. Rechler

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

A signed original of this written statement required by Section 906 has been provided to Reckson Operating Partnership, L.P. and will be furnished to the Securities and Exchange Commission or its staff upon request.

RECKSON OPERATING PARTNERSHIP, L. P.
EXHIBIT 32.2
CERTIFICATION OF MICHAEL MATURO, EXECUTIVE VICE PRESIDENT, TREASURER AND CHIEF FINANCIAL OFFICER OF RECKSON ASSOCIATES REALTY CORP., THE SOLE GENERAL PARTNER OF THE REGISTRANT, PURSUANT TO SECTION 1350 OF CHAPTER 63 OF TITLE 18 OF THE UNITED STATES CODE

I, Michael Maturo, Executive Vice President, Treasurer and Chief Financial Officer of Reckson Associates Realty Corp., the sole general partner of the Registrant (the "Company"), certify pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350, that:

1) The Quarterly Report on Form 10-Q of the Company for the quarterly period ended June 30, 2005 (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m or 78o(d)); and

2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: August 8, 2005

By /s/ Michael Maturo

Michael Maturo,
Executive Vice President, Treasurer and Chief Financial Officer of Reckson Associates Realty Corp., the sole general partner of the Registrant

A signed original of this written statement required by Section 906 has been provided to Reckson Operating Partnership, L. P. and will be furnished to the Securities and Exchange Commission or its staff upon request.