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RECKSON ASSOCIATES REALTY CORP
Form 8-K
December 06, 2005

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 8-K

CURRENT REPORT
Pursuant to Section 13 or 15(d) of the
Securities Exchange Act of 1934

Date of Report: November 30, 2005

RECKSON ASSOCIATES REALTY CORP.
and
RECKSON OPERATING PARTNERSHIP, L.P.
(Exact name of each Registrant as specified in its Charter)

Reckson Associates Realty Corp. - Maryland
Reckson Operating Partnership, L.P. - Delaware
(State or other jurisdiction of incorporation or
organization)

225 Broadhollow Road
Melville, New York
(Address of principal executive offices)

Reckson Associates Realty Corp. -
11-3233650
Reckson Operating Partnership, L.P. -
11-3233647
(IRS Employer ID Number)
11747
(Zip Code)

1-13762
(Commission File Number)

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

Check the appropriate box below if the Form 8-K filing is intended to
simultaneously satisfy the filing obligation of the registrants under any of
the following provisions (see General Instruction A.2. below):

- Written communications pursuant to Rule 425 under the Securities Act (17
CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17
CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the
Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the
Exchange Act (17 CFR 240.13e-4(c))

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Item 1.01. Entry into a Material Definitive Agreement.

One Court Square Joint Venture. On November 30, 2005, Reckson Associates Realty Corp. ("Reckson") formed a joint venture (the "Joint Venture") with a group of institutional investors (the "JV Partners") led by JPMorgan Investment Management ("JPMorgan"), whereby the JV Partners acquired a 70% interest in Reckson's 1.4 million square foot, 50-story, Class A office tower located at One Court Square, Long Island City, for approximately \$329.7 million, including the assumption of \$220.5 million of debt. The price paid for the 70% interest in One Court Square was determined through negotiation between Reckson and the JV Partners. In connection with the foregoing, on November 30, 2005 One Court Square Member LLC, a wholly-owned subsidiary of Reckson, and One Court Square Investor, LLC, an entity owned by JV Partners, entered into an amended and restated operating agreement, dated as of November 30, 2005 governing the Joint Venture (the "Operating Agreement").

Pursuant to the terms of the Operating Agreement, until such time as the tenant at One Court Square exercises a surrender option under its lease, the Joint Venture will be managed by a two-person management committee composed of one representative from each of Reckson and the JV Partners. Reckson is designated as the administrative member of the Joint Venture and is responsible for managing its day-to-day operations and business affairs, other than with respect to certain identified "major decisions," including but not limited to selling the assets of the Joint Venture, purchasing any additional property, entering into significant leases, and entering into transactions with the members or their affiliates, other than a management agreement with an affiliate of Reckson. Such decisions require the unanimous approval of the management committee. Reckson may be removed as administrative member if (i) it becomes bankrupt, (ii) it is found to have committed fraud, willful misconduct or gross negligence in the conduct of its duties, (iii) it makes an unpermitted transfer under the agreement or (iv) Reckson Operating Partnership, L.P. holds, directly or indirectly, less than a 10% interest in the Joint Venture.

The Operating Agreement grants to each of Reckson and the JV Partners a right of first offer to acquire the other member's interest in the Joint Venture at any time after November 30, 2007. In addition, after September 20, 2009, either Reckson or the JV Partners may recommend the sale of One Court Square (or 100% of the interest in the Joint Venture) to a third party at the price at which such member would be willing to sell the property. The non-recommending member may either approve the proposed marketing of the property or may purchase the property at an equivalent price. Also, either member may initiate a buy-sell process at any time after (i) November 30, 2007, if a dispute with respect to a "major decision" arises, or (ii) September 20, 2009.

Through December 31, 2010, the JV Partners are required to pay Reckson an administrative fee of 0.285% of the initial capital contribution of the JV Partners (including transaction costs and assumed debt) annually, payable solely out of cash flow. If the property is sold or the Joint Venture is otherwise liquidated prior to December 31, 2009, the JV Partners are required to pay Reckson a liquidation fee in an amount equal to 0.285% of the initial capital contribution of the JV Partners (including transaction costs and assumed debt).

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distribution is distributed 30% to Reckson and 70% to the JV Partners until the JV Partners have received a return on their investment in the Joint Venture (excluding assumed debt) equal to 1.875% on a quarterly basis, or 7.5% on an annual basis, and thereafter is distributed 50% to Reckson and 50% to the JV Partners. Similarly, Reckson and the JV Partners share in the net proceeds of any capital event, including a sale or a refinancing, with 30% being distributed to Reckson and 70% being distributed to the JV Partners until the JV Partners have received an internal rate of return on their investment in the Joint Venture (excluding assumed debt) equal to 12.5% and thereafter net proceeds are distributed 50% to Reckson and 50% to the JV Partners.

JPMorgan is also an advisor to a joint venture partner with Reckson with respect to the property located at 919 Third Avenue, New York, New York, and an affiliate of JPMorgan is the administrative agent under Reckson's unsecured credit facility.

A copy of the Operating Agreement is filed as Exhibit 10.1 to this Current Report on Form 8-K.

Extension of Employment Agreements. On December 6, 2005, Reckson entered into agreements with each of Scott Rechler, President and Chief Executive Officer of Reckson, Michael Maturo, Executive Vice President and Chief Financial Officer of Reckson, and Jason Barnett, Executive Vice President and General Counsel of Reckson, pursuant to which the terms of such officers' employment and noncompetition agreements were extended in all respects through February 28, 2006. A copy of the agreement with Mr. Rechler is filed as Exhibit 10.2 hereto.

Item 2.01. Completion of Acquisition or Disposition of Assets.

As discussed in Item 1.01 above, on November 30, 2005, in connection with the formation of the Joint Venture, Reckson sold a 70% interest in One Court Square to the JV Partners. The information regarding such disposition set forth under Item 1.01 is incorporated by reference herein.

Item 9.01. Financial Statements and Exhibits

(b) Pro forma financial information

The accompanying financial statements present the unaudited pro-forma balance sheet of Reckson as of September 30, 2005, and the unaudited pro-forma statements of income for the year ended December 31, 2004 and the nine months ended September 30, 2005.

The unaudited pro-forma balance sheet as of September 30, 2005 is presented as if the sale of a 70% interest in One Court Square had occurred on September 30, 2005. The unaudited pro-forma statements of income for the year ended December 31, 2004 and the nine months ended September 30, 2005 are presented as if the acquisition and sale of a 70% interest in One Court Square had occurred on January 1, 2004 and carried forward through September 30, 2005.

The pro-forma information is unaudited and is not necessarily indicative of the results which actually would have occurred if the aforementioned transaction had been consummated at the beginning of the period presented, nor

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does it purport to represent the financial position and results of operations for future periods. The pro-forma information should be read in conjunction with the historical financial statements of Reckson.

Reckson Associates Realty Corp.
 Pro-Forma Balance Sheet
 September 30, 2005
 (Unaudited and in thousands, except share amounts)

	Reckson Historical (A)	One Court Sq. Pro-Forma Adjustments (B)
	-----	-----
Assets:		
Commercial real estate properties, at cost:		
Land	\$ 385,457	\$
Building and improvements	2,452,509	
Developments in progress:		
Land	101,371	
Development costs	81,981	
Furniture, fixtures and equipment	12,391	
	-----	-----
	3,033,709	
Less accumulated depreciation	(516,399)	
	-----	-----
Investments in real estate, net of accumulated depreciation	2,517,310	
Properties and related assets held for sale, net of accumulated depreciation	669,596	(333,250)
Investment in real estate joint ventures	12,946	
Investment in notes receivable	166,219	
Investments in affiliate loans and joint ventures	57,642	
Cash and cash equivalents	32,799	
Tenant receivables	11,157	
Deferred rents receivable	135,399	
Prepaid expenses and other assets	179,884	
Contract and land deposits and pre-acquisition costs	2,898	
Deferred leasing and loan costs	77,282	
	-----	-----
Total Assets	\$ 3,863,132	\$ (333,250)
	=====	=====
Liabilities:		
Mortgage notes payable	\$ 531,527	
Unsecured credit facility	231,000	(116,270)
Senior unsecured notes	979,970	
Liabilities associated with properties held for sale	407,841	(222,870)
Accrued expenses and other liabilities	77,245	
Deferred revenues and tenant lease security deposits	75,296	
Dividends and distributions payable	36,232	

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Total Liabilities	2,339,111	(339,15
Minority partners' interests in consolidated partnerships	214,608	
Preferred unit interest in the operating partnership	1,200	
Limited partners' minority interest in the operating partnership	33,719	
Total Minority Interests	249,527	
Commitments and contingencies	-	
Stockholders' Equity:		
Preferred stock, \$.01 par value, 25,000,000 shares authorized	-	
Common Stock, \$.01 par value, 200,000,000 shares authorized 82,556,273 shares issued and outstanding	826	
Additional paid in capital	1,342,637	5,07
Accumulated other comprehensive (loss)/income	(477)	83
Treasury stock, 3,318,600 shares	(68,492)	
Total Stockholders' Equity	1,274,494	5,90
Total Liabilities and Stockholders' Equity	\$ 3,863,132	\$ (333,25

Reckson Associates Realty Corp.
Pro-Forma Balance Sheet
September 30, 2005
(Unaudited and in thousands, except share amounts)

Pro-Forma
Condensed

Assets:		
Commercial real estate properties, at cost:		
Land	\$ 385,457	
Building and improvements	2,452,509	
Developments in progress:	-	
Land	101,371	
Development costs	81,981	
Furniture, fixtures and equipment	12,391	
	3,033,709	
Less accumulated depreciation	(516,399)	
Investments in real estate, net of accumulated depreciation	2,517,310	
Properties and related assets held for sale, net of		

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accumulated depreciation	193,519
Investment in real estate joint ventures	60,250
Investment in notes receivable	166,219
Investments in affiliate loans and joint ventures	57,642
Cash and cash equivalents	32,799
Tenant receivables	11,157
Deferred rents receivable	135,399
Prepaid expenses and other assets	179,884
Contract and land deposits and pre-acquisition costs	2,898
Deferred leasing and loan costs	77,282

Total Assets	\$ 3,434,359
=====	
Liabilities:	
Mortgage notes payable	\$ 531,527
Unsecured credit facility	114,723
Senior unsecured notes	979,970
Liabilities associated with properties held for sale	89,444
Accrued expenses and other liabilities	77,245
Deferred revenues and tenant lease security deposits	75,296
Dividends and distributions payable	36,232

Total Liabilities	1,904,437

Minority partners' interests in consolidated partnerships	214,608
Preferred unit interest in the operating partnership	1,200
Limited partners' minority interest in the operating partnership	33,719

Total Minority Interests	249,527

Commitments and contingencies	-
Stockholders' Equity:	
Preferred stock, \$.01 par value, 25,000,000 shares authorized	-
Common Stock, \$.01 par value, 200,000,000 shares authorized	
82,556,273 shares issued and outstanding	826
Additional paid in capital	1,347,707
Accumulated other comprehensive (loss)/income	354
Treasury stock, 3,318,600 shares	(68,492)

Total Stockholders' Equity	1,280,395

Total Liabilities and Stockholders' Equity	\$ 3,434,359
=====	

(The accompanying notes and management's assumptions
are an integral part of this statement)

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Reckson Associates Realty Corp.
Notes to Pro-Forma Balance Sheet
September 30, 2005
(Unaudited)

- A Represents the historical balance sheet of Reckson Associates Realty Corp. at September 30, 2005.
- B Represents adjustments to remove 70% of the assets and liabilities of the property located at One Court Square, Long Island City, New York (the "Property") resulting from the sale of a 70% interest in the Property and to repay outstanding borrowings under our unsecured credit facility with funds primarily received from the sale of a 70% interest in the Property.
- C Represents the adjustment related to the Company's 30% interest in the Joint Venture under the equity method of accounting.
- D Represents the gain related to the sale of a 70% interest in the Property and the reclassification of the proportionate share of loss from accumulated other comprehensive loss to earnings.
- E Consists of approximately \$109.2 million of net sales proceeds and approximately \$7.1 million of financing costs reimbursed by the JV Partners.

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Reckson Associates Realty Corp.
Pro-Forma Statement of Income
For the nine months ended September 30, 2005
(Unaudited and in thousands, except share amounts)

	Reckson Historical (A)	One Court ----- Pro-F Adjust (B) -----
Revenues:		
Property Operating Revenues:		
Base rents	\$ 358,181	\$
Tenant escalations and reimbursements	56,370	

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Total property operating revenues	414,551	
Operating Expenses:		
Property operating expenses	164,450	
Marketing, general and administrative	24,597	
Depreciation and amortization	96,546	
Total operating expenses	285,593	
Operating income	128,958	
Non-Operating Income & Expenses:		
Gains on sales of real estate	85,512	
Interest income on notes receivable	9,613	
Investment income and other	7,647	
Interest:		
Expense	(82,810)	
Amortization of deferred financing costs	(3,177)	
Total Non-Operating Income & Expenses	16,785	
Income before minority interests, equity in earnings of a real estate joint ventures and discontinued operations	145,743	
Minority partners' interests in consolidated partnerships	(11,368)	
Limited partners' minority interest in the operating partnership	(4,646)	
Equity in earnings of real estate joint ventures	482	
Income before discontinued operations and dividends to preferred shareholders	130,211	
Discontinued operations (net of minority interests):		
Income from discontinued operations	4,671	
Gains on sales of real estate	13,790	
Net income	\$ 148,672	\$
Basic net income per weighted average share:		
Common	\$ 1.59	
Discontinued operations	\$ 0.23	
Basic net income per common share	\$ 1.82	
Basic weighted average common shares outstanding:	81,847,595	
Diluted net income per weighted average common share	\$ 1.81	

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Diluted weighted average common shares outstanding 82,284,475

Reckson Associates Realty Corp.
 Pro-Forma Statement of Income
 For the nine months ended September 30, 2005
 (Unaudited and in thousands, except share amounts)

		----- Pro-Forma Condensed -----
Revenues:		
Property Operating Revenues:		
Base rents	\$	345,685
Tenant escalations and reimbursements		56,370

Total property operating revenues		402,055

Operating Expenses:		
Property operating expenses		164,450
Marketing, general and administrative		24,591
Depreciation and amortization		90,398

Total operating expenses		279,439

Operating income		122,616

Non-Operating Income & Expenses:		
Gains on sales of real estate		85,512
Interest income on notes receivable		9,613
Investment income and other		7,647
Interest:		
Expense		(75,130)
Amortization of deferred financing costs		(2,991)

Total Non-Operating Income & Expenses		(24,657)

Income before minority interests, equity in earnings of a real estate joint ventures and discontinued operations		147,267
Minority partners' interests in consolidated partnerships		(11,368)
Limited partners' minority interest in the operating partnership		(4,727)
Equity in earnings of real estate joint ventures		(1,457)

Income before discontinued operations and dividends to preferred shareholders		132,629

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Discontinued operations (net of minority interests):

Income from discontinued operations		4,671	
Gains on sales of real estate		13,790	
Net income	\$	151,090	
Basic net income per weighted average share:			
Common	\$	1.62	
Discontinued operations	\$	0.23	
Basic net income per common share	\$	1.85	
Basic weighted average common shares outstanding:		81,847,595	
Diluted net income per weighted average common share	\$	1.84	
Diluted weighted average common shares outstanding		82,284,475	

(The accompanying notes and management's assumptions
are an integral part of this statement)

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Reckson Associates Realty Corp.
Notes to Pro-Forma Statement of Income
For the nine months ended September 30, 2005
(Unaudited)

Notes:

- A Represents the historical statement of income of Reckson Associates Realty Corp. for the nine months ended September 30, 2005.
- B Represents adjustments to remove the results of operations of the Property resulting from the sale of a 70% interest in the Property as if such transaction occurred on January 1, 2004.
- C Represents the pro-forma equity in earnings of the Joint Venture for the nine months ended September 30, 2005.

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Reckson Associates Realty Corp.
 Pro-Forma Statement of Income
 For the year ended December 31, 2004
 (Unaudited and in thousands, except share amounts)

	Reckson Historical (A)	One Court Square Pro-Forma Adjustments (B)
Revenues:		
Property operating revenues:		
Base rents	\$ 440,953	\$ -
Tenant escalations and reimbursements	73,862	-
	-----	-----
Total property operating revenues	514,815	-
	-----	-----
Operating Expenses:		
Property operating expenses	208,754	-
Marketing, general and administrative	30,879	-
Depreciation and amortization	116,480	-
	-----	-----
Total operating expenses	356,113	-
	-----	-----
Operating income	158,702	-
	-----	-----
Non-Operating Income & Expenses:		
Interest income on notes receivable	7,129	-
Investment income and other	12,157	-
Interest:		
Expense	(98,050)	-
Amortization of deferred financing costs	(3,822)	-
	-----	-----
Total Non-Operating Income & Expenses	(82,586)	-
	-----	-----
Income before minority interests, preferred dividends and distributions, equity in earnings of a real estate joint venture and discontinued operations	76,116	-
Minority partners' interests in consolidated partnerships	(18,507)	-
Limited partners' minority interest in the operating partnership	(1,517)	(65)
Distributions to preferred unit holders	(541)	-
Equity in earnings of a real estate joint venture	603	(1,300)
	-----	-----
Income before discontinued operations and dividends to preferred shareholders	56,154	(1,235)

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Discontinued operations (net of minority interests):		
Income from discontinued operations	2,498	-
Gain on sales of real estate	11,776	-
	-----	-----
Net income	70,428	(1,235)
Dividends to preferred shareholders	(12,236)	-
Redemption charges on Series A preferred stock	(15,812)	-
	-----	-----
Net income allocable to common shareholders	\$ 42,380	\$ (1,235)
	=====	=====
Basic net income per weighted average share:		
Common	\$ 0.41	
Discontinued operations	0.21	

Basic net income per common share	\$ 0.62	
	=====	
Basic weighted average common shares outstanding:	68,871,000	
Diluted net income per weighted average common share	\$ 0.61	
Diluted weighted average common shares outstanding	69,235,000	

(The accompanying notes and management's assumptions are an integral part of this statement)

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Reckson Associates Realty Corp.
Notes to Pro-Forma Statement of Income
For the year ended December 31, 2004
(Unaudited)

Notes:

- A Represents the historical audited statement of income of Reckson Associates Realty Corp. for the year ended December 31, 2004.
- B Represents the pro-forma equity in earnings of the Joint Venture as if such transaction occurred on January 1, 2004.

There are no adjustments to the historical audited statement of income for the year ended December 31, 2004 related to the Property as the Property was acquired during 2005.

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- (d) Exhibits
 - 10.1 Amended and Restated Operating Agreement of One Court Square Holdings LLC, dated as of November 30, 2005, by and between One Court Square Member LLC and One Court Square Investor, LLC
 - 10.2 Agreement for Extension of Employment and Noncompetition Agreement, dated December 6, 2005, by and between Reckson Associates Realty Corp. and Scott Rechler*

* Each of Michael Maturo and Jason Barnett has entered into an Agreement for Extension of Employment and Noncompetition Agreement, dated as of December 6, 2005, with Reckson. These agreements are identical in all material respects to the Agreement for Extension of Employment and Noncompetition Agreement for Scott Rechler filed herewith.

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SIGNATURES

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

RECKSON ASSOCIATES REALTY CORP.

By: /s/ Michael Maturo

Michael Maturo
Executive Vice President
and Chief Financial Officer

RECKSON OPERATING PARTNERSHIP, L.P.

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By: Reckson Associates Realty Corp.,
its General Partner

By: /s/ Michael Maturo

Michael Maturo
Executive Vice President
and Chief Financial Officer

Date: December 6, 2005