

PRODUCT DISCLOSURE STATEMENT

# RECKSON NEW YORK PROPERTY TRUST

ARSN 115 585 709

RECKSON  
NYPT

**Responsible Entity**

Reckson Australia Management Limited (ABN 65 114 294 281) (AFSL 289224)

**Joint Lead Managers and Underwriters**

Citigroup Global Markets Australia Pty Limited (ABN 64 003 114 832) (AFSL 240992) and  
UBS AG, Australia Branch (ABN 47 088 129 613) (AFSL 231087)

15 August 2005



# IMPORTANT NOTICE AND DISCLAIMER

This Product Disclosure Statement (PDS) is dated 15 August 2005 and a copy was lodged with the Australian Securities and Investments Commission (ASIC) on that date. This PDS has been prepared by Reckson Australia Management Limited (ABN 65 114 294 281) (AFSL 289224) (RAML) and relates to the Offer of Units in Reckson New York Property Trust (ARSN 115 585 709) (the Trust). ASIC and Australian Stock Exchange Limited (ASX) take no responsibility for the contents of this PDS. No person is authorised to give any information or to make any representation in connection with this Offer which is not contained in this PDS. Any information or representation not so contained may not be relied on as having been authorised by RAML in connection with this Offer.

Certain information in this PDS is subject to change. If that information is not materially adverse to Unitholders it will be updated and made available to you on our website at [www.recksonnypt.com.au](http://www.recksonnypt.com.au) or a paper copy of any updated information will be provided to you (free of charge or by calling us on 1800 330 326 or +61 2 8280 7113). If there is a materially adverse change to the information in the PDS or a materially adverse omission from the PDS, we will issue a new or supplementary PDS.

## Capital and investment returns are not guaranteed

Investments in the Trust are subject to investment risk, including possible delays in repayment and loss of income and capital invested. Neither RAML, nor any of its subsidiaries or affiliates, or any other person guarantees the repayment of capital or the investment performance of the Trust.

## No cooling-off rights

No cooling-off rights apply to an Application for Units in the Trust. This means that you cannot withdraw your Application once it has been made, other than as permitted by the Corporations Act 2001 (Cth) (Corporations Act).

## This is not investment advice. You should seek your own financial advice

This Offer does not take into account the investment objectives, financial situation and particular needs of any individual investors. Investors should obtain their own independent advice and consider the appropriateness of the Offer having regard to their financial situation and needs. It is important that you read the entire PDS before making any decision to invest in the Offer. In particular, in considering the prospects of the Trust, it is important that you consider the potential risks that could affect the financial performance of the Trust.

Some of the potential risks that should be considered by prospective investors are set out in Section 3.2.

## Selling restrictions apply

This PDS does not constitute an offer in any place where, or to any person to whom, it would not be lawful to make such an offer or invitation. No action has been taken to register or qualify the Units or the Offer or otherwise to permit an offering of the Units in any jurisdiction outside Australia. Accordingly, the distribution of this PDS in jurisdictions outside Australia is limited and may be restricted by law. Persons who come into possession of this PDS who are not in Australia should seek advice on and familiarise themselves with and observe any such restrictions. Any failure to comply with these restrictions may constitute a violation of securities laws.

In particular:

- the Units have not been and will not be registered in the United States (US) under the US Securities Act of 1933, as amended (US Securities Act) and may not be offered or sold in the US to or for the account or benefit of US persons except in transactions exempt from registration requirements under the US Securities Act; and
- until 40 days after the commencement of the offering of Units, an offer of sale or transfer of Units within the US by any dealer (whether or not participating in the Offer) may violate the registration requirements of the US Securities Act.

Each person who applies for Units pursuant to this PDS is deemed to agree to the following US and international offering and resale restrictions:

- such Applicant is not a US resident at the time of such application and is not acting for the account or benefit of any US person; and
- such Applicant will not offer or sell any Units in the US to or for the benefit of any US person.

## Timing

No Units in the Trust will be issued until the "exposure period" of seven days (or up to 14 days if ASIC so decides) after lodgement of this PDS with ASIC has expired.

The Responsible Entity reserves the right to extend the offer.

## Privacy

RAML respects your privacy and is bound by the National Privacy Principles in the Privacy Act (1988) (Cth) (Privacy Act). If you apply for Units in the Trust, you will be asked to provide personal information to RAML and to ASX Perpetual Registrars Limited (Registry) (which is the registry appointed by

RAML) which collects, holds and uses that information for the purposes of managing the Trust and the Unitholders' interests in the Trust. Where appropriate RAML will handle personal information relying on the related bodies corporate exemption.

RAML usually collects personal information such as name, address, telephone number and financial details. As a general rule RAML does not collect sensitive information (as defined in the Privacy Act). However, if sensitive information is collected by RAML, it will usually be for the purposes of providing its services and RAML will seek your consent to collect it. RAML usually shares this information with other members of the RAML group and ASX Perpetual Registrars Limited for registry services.

RAML uses a variety of physical and electronic security measures including restricting physical access to its offices, firewalls and secure databases to keep personal information secure from misuse, loss or unauthorised use or disclosure.

You have a right to access any personal information RAML holds about you. Please contact RAML to ask for access to your information or if you have a complaint concerning your information privacy. RAML may deny your request in some circumstances, although if it does this, RAML will tell you why.

## Financial amounts

All financial amounts contained in this PDS are expressed in Australian dollars, unless otherwise stated. Totals may vary slightly due to rounding.

## Definitions

A number of words and terms have defined meanings that appear in the Glossary in Section 11.

## Photographs

The assets depicted in photographs in this PDS are to be assets in which the Trust will have a 75% indirect interest unless otherwise stated.

## Electronic PDS

This PDS is also available on the following website: [www.recksonnypt.com.au](http://www.recksonnypt.com.au). However, because there is no general public offer of Units under this PDS, an Application Form will not be attached to the PDS on this website.

If you have any questions in relation to the Offer, call the Reckson New York Property Trust Offer Information Line on toll free 1800 330 326 or +61 2 8280 7113 or contact your stockbroker, financial planner, accountant or other professional adviser.



# CONTENTS

Summary	2
Chairman's Letter	6
How to Apply for Units	7
1 Answers to Key Questions	9
2 Details of the Offer	17
3 Summary of Benefits and Risks	29
4 Overview of the Trust	37
5 Property Portfolio Overview	45
6 Fees and Expenses	81
7 Pro Forma Financial Forecasts	87
8 Independent Expert Reports	97
9 Material Contracts and Additional Information	127
10 Directors' Statement	163
11 Glossary	165
Application Forms	169
Corporate Directory	inside back cover

# SUMMARY OF THE OFFER

The Offer is for partly paid units (Units) in Reckson New York Property Trust (ARSN 115 585 709) (Trust), to be listed on ASX, which will acquire a 75% indirect interest in a portfolio of well located quality office properties located in the New York Tri-State area.

The Offer is for 263 million Units in the Trust at a fully paid Issue Price of \$1.00 per Unit. The Issue Price will be payable in two instalments – an Initial Instalment of \$0.65 per Unit which will be payable at the time of Application and a Final Instalment of \$0.35 per Unit which will be payable on 1 October 2006.

**If you do not pay the Final Instalment, your Units may be forfeited and sold on your behalf and you may be liable to pay up to the unpaid amount.**

## SUMMARY OF PRO FORMA FINANCIAL FORECASTS

	Forecast Period from Allotment to 31 December 2005	Forecast year ending 31 December 2006
Cash distribution yield based on paid-up amount per Unit	8.20% <sup>(1)</sup>	8.70%
Cash distribution per Unit <sup>(2)</sup>	1.49 cents	6.41 cents
Foreign tax credit per Unit <sup>(3)</sup>	0.12 cents	0.39 cents
Cash distribution per Unit including foreign tax credit	1.61 cents	6.81 cents
Cash distribution yield based on paid-up amount per Unit including foreign tax credit	8.86% <sup>(1)</sup>	9.23%
Pro forma net tangible asset backing per Unit at listing <sup>(4)</sup>	\$0.63	
Pro forma net tangible asset backing per Unit after Final Instalment <sup>(5)</sup>	\$1.00	

All financial forecasts have been prepared by RAML – see Section 7 for further information. Totals may vary due to rounding

(1) Annualised Yield for period from Allotment Date to 31 December 2005

(2) Cash distribution is net of US withholding tax for the Forecast Period. The first distribution paid will be for the period from Allotment Date to 31 December 2005

(3) Withholding tax paid in the US for the Forecast Period may be credited against Australian tax on gross foreign sourced income. Refer to Sections 7.4, 8.3 and 8.4 for an analysis of the taxation implications arising from this component of the forecast distribution

(4) Based on the Pro Forma Consolidated Balance Sheet of the Trust as at listing, see Section 7.1

(5) Based on the Pro Forma Consolidated Balance Sheet of the Trust post the Final Instalment after adjusting the carrying value of all properties to reflect the independent valuations prepared by CBRE in July 2005, see Section 7.1

The estimated tax deferred percentage of distributions is at least 75% for the period to 30 June 2006 and at least 70% for the six months to 31 December 2006. The tax deferred component will not be included in the assessable income of Unitholders, however, it will reduce the cost base of Units for capital gains tax purposes. For further information on the Australian tax treatment of the distributions, refer to Section 8.4.

# KEY DATES

Date of Offer document	15 August 2005
Broker Firm Offer opens <sup>(1)</sup>	29 August 2005
Broker Firm Offer Closing Date	16 September 2005
Expected Allotment Date	21 September 2005
Expected despatch of Holding Statements	21 September 2005
Expected commencement of trading of Units on ASX <sup>(2)</sup>	26 September 2005
Final Instalment payable	1 October 2006

(1) These dates are indicative only and may change. The Responsible Entity, in conjunction with the Joint Lead Managers and Underwriters, reserves the right to amend this indicative timetable including, subject to the Corporations Act and Listing Rules, to close the Offer early, to extend the Broker Firm Offer Closing Date, to accept late Applications, either generally or in particular cases, or to withdraw the Offer at any time prior to the Allotment Date

(2) Subject to ASX granting listing of the Trust

## STRUCTURE OF THE OFFER

The Offer is a Broker Firm Offer to Australian resident investors who receive a firm allocation of Units from their broker (Broker Firm Applicants) and an Institutional Offer to certain institutional investors in Australia (Institutional Investors). The minimum Application is 5,000 Units at a fully paid Issue Price of \$1.00 per Unit (that is, \$3,250 on Application and a further \$1,750 on 1 October 2006) and thereafter in multiples of 100 Units.

There is no general public offer of Units under this PDS.

All Units offered for issue under this PDS are issued subject to the disclosures in this PDS and will rank equally with each other.

A PORTFOLIO OF 25  
WELL LOCATED QUALITY  
OFFICE PROPERTIES IN THE  
NEW YORK TRI-STATE AREA

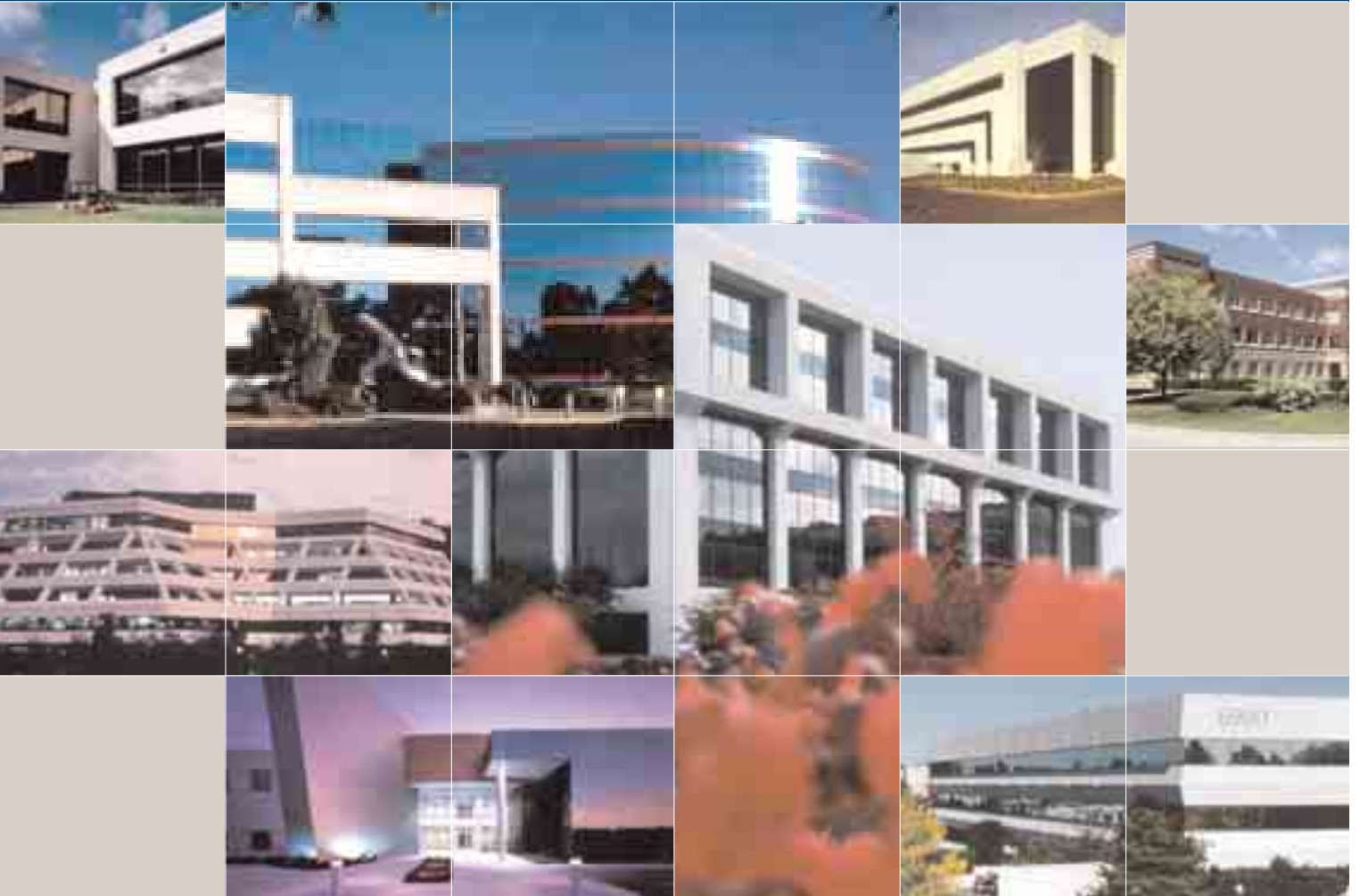
50 Marcus Drive  
150 Motor Parkway  
6800 Jericho Turnpike  
55 Charles Lindbergh  
Boulevard  
35 Pinelawn Road

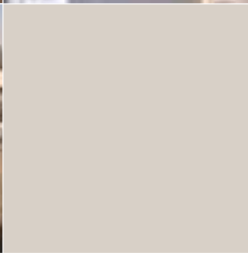
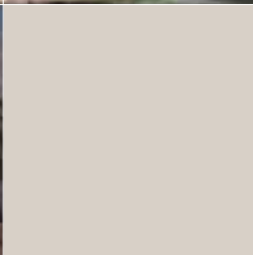
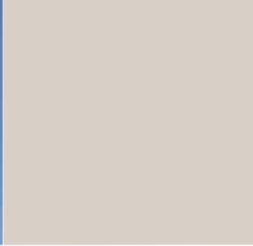
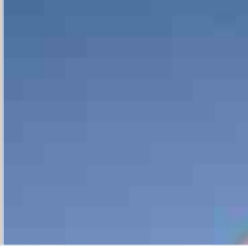
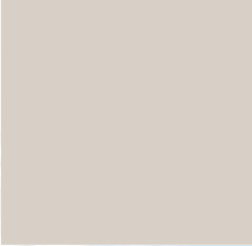
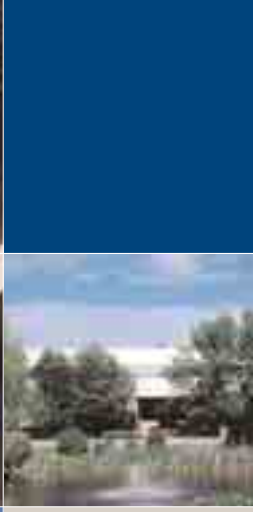
520 Broadhollow Road  
1660 Walt Whitman  
Road  
6900 Jericho Turnpike  
200 Broadhollow Road  
300 Motor Parkway

88 Duryea Road  
492 River Road  
300 Executive Drive  
200 Executive Drive  
100 Executive Drive  
10 Rooney Circle

660 White Plains Road  
580 White Plains Road  
560 White Plains Road  
555 White Plains Road  
80 Grasslands Road  
100 Grasslands Road

505 White Plains Road  
225 High Ridge Road  
710 Bridgeport Avenue





# CHAIRMAN'S LETTER

## RECKSON AUSTRALIA MANAGEMENT LIMITED

Dear Investor

It is our pleasure to invite you to subscribe for Units in the initial public offering of Reckson New York Property Trust (Trust), which is seeking to raise \$263 million in two instalments.

The Trust is the first Australian listed property trust with a primary strategy of investing into the real estate markets of the New York Tri-State area in the United States (US), comprising five key sub-markets, which include New York City, Westchester County (New York), Fairfield County (Connecticut), Long Island (New York) and Northern New Jersey. While the Trust's initial investment includes properties in each of these key sub-markets excluding New York City, investments in New York City are consistent with the Trust's Investment Policy and will be considered where appropriate.

Following the Offer, the Trust will acquire a 75% indirect interest in a portfolio of 25 office properties located in the New York Tri-State area for approximately US\$422 million (approximately A\$550 million), acquired at more than 5% discount to the independently assessed appraisal. The Properties represent a portfolio of well located quality office properties which are approximately 90% leased, have a weighted average lease term to expiry of approximately 4.4 years (by income) and a broad range of tenants representing a diverse industry base. The Properties offer organic growth opportunities through lease up of vacant space, as well as a positive re-leasing spread to market rents for new leases and lease renewals. The remaining 25% interest in the portfolio will be retained by an affiliate of Reckson Associates Realty Corp., its subsidiaries and affiliates (Reckson).

The Trust is forecast to distribute 6.41 cents per Unit for the first full financial year of operation ending 31 December 2006, resulting in a yield of 8.70%. The Trust is forecast to distribute 1.49 cents per Unit for the period ending 31 December 2005, which represents an Annualised Yield of 8.20% on the Initial Instalment of \$0.65 per Unit. The Final Instalment of \$0.35 per Unit is payable on 1 October 2006.

Reckson Australia Management Limited (RAML) will be the responsible entity of the Trust. RAML is an affiliate of Reckson. Reckson will provide the necessary asset and property management services in the US through a subsidiary.

Reckson was founded 47 years ago and was first listed on the New York Stock Exchange in 1995. Reckson is one of the largest publicly traded owners, developers and managers of office properties in the New York Tri-State area. As at July 2005 Reckson had approximately 300 employees and owned directly, indirectly or under contract 90 office properties totalling approximately 18.9 million sq ft. Reckson had an equity market capitalisation of US\$2.8 billion as of July 2005. According to the National Association of Real Estate Investment Trusts (NAREIT), as of 30 June 2005, Reckson was the sixth largest US office Real Estate Investment Trust (REIT).

I urge you to read this Product Disclosure Statement, especially Section 3.2 dealing with potential risks and to consult your stockbroker, financial planner, accountant or other professional adviser before making any investment decision.

Yours faithfully



Scott Rechler

Chairman and Chief Executive Officer

Reckson Australia Management Limited

# HOW TO APPLY FOR UNITS

## Broker Firm Applicants

---

Broker Firm Applicants should apply for Units and submit their payment in full for such Units in accordance with the instructions received from their broker.

If you elect to participate in the Broker Firm Offer, your broker will act as your agent in submitting your Application Form and Application Monies. It will be your broker's responsibility to ensure that your Application Form and Application Monies are submitted before 5.00pm Sydney time on the Broker Firm Offer Closing Date.

Neither the Responsible Entity nor Reckson or the Joint Lead Managers and Underwriters accept responsibility for any acts or omissions of any broker in connection with Applications, Application Forms or Application Monies of Broker Firm Applicants.

Broker Firm Applicants validly participating through the Broker Firm Offer will be allocated the full number of Units they apply for, up to the amount of the firm allocation notified to them by their broker. It is a matter for brokers (not the Responsible Entity or the Joint Lead Managers and Underwriters) as to how each broker allocates Units among its clients in the Broker Firm Offer. It is the sole responsibility of the broker to ensure that its clients with a firm allocation receive the relevant Units.

## Institutional Investors

---

The offer to Institutional Investors will be managed by the Joint Lead Managers and Underwriters. Institutional Investors must apply in accordance with the instructions received from the Joint Lead Managers and Underwriters.

## All Applications

---

The Responsible Entity reserves the right to decline any Application in whole or in part, without giving any reason. Monies received in respect of Applications that are declined in whole or in part will be refunded (without interest). Refunds for unsuccessful Applications will be posted within five business days of Allotment. Interest will not be paid on any Application Monies refunded to Applicants. Any interest earned on Application Monies will be retained by the Responsible Entity.





# SECTION ONE

## ANSWERS TO KEY QUESTIONS

## SECTION 1 ANSWERS TO KEY QUESTIONS

Outlined below is a summary of the Offer. For detailed information refer to the sections listed on the right.

Topic	Summary	Where to find more information – Section(s)
What is the Offer?	<ul style="list-style-type: none"> <li>This PDS invites Applications for Units in the Trust. The Trust, which is proposed to be listed on ASX, will initially acquire from Reckson a 75% indirect interest in a portfolio of 25 well located quality office properties located in the New York Tri-State area</li> </ul>	2.2
What are the terms of the Offer?	<ul style="list-style-type: none"> <li>The fully paid Issue Price is \$1.00 per Unit payable in two instalments:                             <ul style="list-style-type: none"> <li>– the Initial Instalment of \$0.65 per Unit is payable on Application</li> <li>– the Final Instalment of \$0.35 per Unit is payable on 1 October 2006</li> </ul> <p><b>If you do not pay the Final Instalment, your Units may be forfeited and sold on your behalf and you may be liable for up to the unpaid amount</b></p> </li> <li>At an exchange rate of US\$0.77 per A\$1.00 for the Initial Instalment and US\$0.76 per A\$1.00 for the Final Instalment, the Offer would be for approximately A\$263 million</li> <li>The minimum Application is 5,000 Units at a fully paid Issue Price of \$1.00 per Unit (that is, \$3,250 on Application and a further \$1,750 on 1 October 2006) and thereafter in multiples of 100 Units</li> <li>Broker Firm Offer opens on 29 August 2005<sup>(1)</sup></li> <li>Broker Firm Offer Closing Date at 5.00pm (Sydney, Australia time) on 16 September 2005<sup>(1)</sup></li> <li>Units are expected to be quoted on ASX by 26 September 2005<sup>(2)</sup> <ul style="list-style-type: none"> <li>(1) These dates are indicative only and may change. The Responsible Entity has the right, in consultation with the Joint Lead Managers and Underwriters, to amend these dates without notice including, subject to the Corporations Act and Listing Rules, to close the Offer early, to extend the Broker Firm Offer Closing Date, to accept late Applications, either generally or in particular cases, or to withdraw the Offer at any time prior to Allotment Date. If any of these dates are changed, subsequent dates may also be changed. You are encouraged to submit your Application as soon as possible after the Offer opens</li> <li>(2) Subject to ASX granting listing of the Trust</li> </ul> </li> </ul>	2.2
Who can invest?	<ul style="list-style-type: none"> <li>The Offer is only open to persons who receive a Broker Firm Offer or are Institutional Investors</li> <li>There is no general public offer of Units</li> <li>This PDS is not registered under the securities laws of any foreign jurisdiction</li> </ul>	2.16, 2.19

Topic	Summary	Where to find more information – Section(s)
What is the allocation policy of the Issuer?	<ul style="list-style-type: none"> <li>The Responsible Entity, in consultation with the Joint Lead Managers and Underwriters, reserves the right to reject any Application or to allocate any Applicant, other than a Broker Firm Applicant, a lesser number of Units than applied for (but no less than the minimum application amount set out in Section 2.16)</li> <li>Broker Firm Applicants validly participating through the Broker Firm Offer will be allocated the full number of Units applied for up to the amount of the firm allocation notified by their broker</li> </ul>	2.2, 2.16
Who is the Responsible Entity and Issuer of this PDS?	<ul style="list-style-type: none"> <li>Reckson Australia Management Limited (RAML) is the responsible entity of the Trust and is the Issuer of this PDS</li> <li>RAML is an affiliate of Reckson Associates Realty Corp.</li> <li>Reckson Associates Realty Corp., its affiliates and subsidiaries, shall be collectively and individually referred to as Reckson throughout this PDS</li> </ul>	2.1, 2.2, 4.1, 4.4
Who is the asset and property manager?	<ul style="list-style-type: none"> <li>The asset management and property management services for the Trust's Portfolio will be undertaken in the US by Reckson</li> <li>Reckson was founded 47 years ago and was first listed on the New York Stock Exchange in 1995. Reckson is one of the largest publicly traded owners, developers and managers of office properties in the New York Tri-State area. As at July 2005 Reckson had approximately 300 employees and owned directly, indirectly or under contract 90 office properties totalling approximately 18.9 million sq ft. Reckson had an equity market capitalisation of US\$2.8 billion as of July 2005. According to NAREIT as of 30 June 2005, Reckson was the sixth largest US office REIT</li> </ul>	4.1, 4.4
What are the significant benefits of the Offer?	<ul style="list-style-type: none"> <li>Forecast yield of 8.70% for the first full financial year of operation ending 31 December 2006 and an Annualised Yield of 8.20% on the Initial Instalment of \$0.65 per Unit for the period from Allotment to 31 December 2005</li> <li>Forecast yield including foreign tax credit of 9.23% for the first full financial year of operation ending 31 December 2006</li> <li>The estimated tax deferred percentage of distributions is at least 75% for the period to 30 June 2006 and at least 70% for the six months to 31 December 2006</li> <li>The only Australian listed property trust with a primary strategy of investing into the real estate markets of the New York Tri-State area</li> <li>A portfolio of well located quality office properties which are approximately 90% leased, have a weighted average lease term to expiry of approximately 4.4 years (by income) and a broad range of tenants representing a diverse industry base</li> <li>Reckson provides significant depth of expertise in both the New York Tri-State area real estate market and real estate investment management</li> <li>Reckson will retain a 25% interest in the Properties through the US LLC, demonstrating a tangible alignment of interests between Reckson and Unitholders with respect to the Properties</li> <li>The Trust has a call option, staggered over a two year period from 1 January 2006 to 1 January 2008, for the acquisition of up to 10 further properties from Reckson. For additional details relating to the conditions and terms of the call option see Sections 2.5, 3.1 and 9.1.12</li> <li>Units can be traded on ASX once quoted</li> </ul>	2.5, 2.6, 3.1, 8.4, 9.1.12

Topic	Summary	Where to find more information – Section(s)
What is the Trust's distribution policy?	<ul style="list-style-type: none"> <li>• The Responsible Entity intends to make distributions on a half yearly basis</li> <li>• The first distribution will relate to the period from Allotment to 31 December 2005 and is expected to be paid in February 2006</li> <li>• Distributions are expected to be paid in February and August each year</li> </ul>	2.7, 7.4
Who are the Trust's interests in the Properties being obtained from?	<ul style="list-style-type: none"> <li>• The Trust is obtaining its 75% indirect interest in the Properties from entities owned by Reckson</li> <li>• In aggregate the Properties are being acquired at more than 5% discount to the independently assessed appraisals prepared by CBRE, a licensed US appraisal firm</li> </ul>	2.3, 4.2, 4.3, 9.1.6
What are the potential significant risks?	<p>Potential risks are set out in more detail in Section 3.2, and include the following:</p> <ul style="list-style-type: none"> <li>• Capital and income distributions are not guaranteed</li> <li>• Unit prices on ASX may fall as well as rise</li> <li>• The majority of the Trust's assets and income will be denominated in US dollars. Currency fluctuations may affect the return on your investment and the value of your capital</li> <li>• General risks associated with the US economy and US real estate markets may affect the return on your investment and the value of your capital</li> <li>• Changes in US and Australian taxation laws including any changes to the tax treaty between Australia and the US may affect the taxation treatment of your income and capital returns</li> <li>• Conflicts of interest may arise as a result of Reckson's investment in and involvement with current/potential future joint venture partners as well as its investments in, and operations of, other assets, all of which Reckson can freely continue to undertake during the term of the Trust</li> <li>• Under certain circumstances, Reckson may force the liquidation of the US LLC which holds the Properties</li> <li>• Taxation of the US REIT as an ordinary corporation if it fails to qualify as a real estate investment trust for US federal income tax purposes may affect the income received by the Trust</li> <li>• Australian taxation of the Trust as a corporate entity if it is classified as either a public trading trust or a corporate unit trust for Australian tax purposes, which may affect the taxable distribution received by Unitholders</li> <li>• Risks associated with the failure of the US LLC to close on some or all of the Properties</li> <li>• The risk of terrorist attacks, particularly in the New York City metropolitan area, may adversely affect the value of the Properties and the Trust's ability to generate cash flow. There may be a decrease in demand in metropolitan areas that are considered at risk for future terrorist attacks, and this decrease may reduce the Trust's revenues from property rentals</li> <li>• The Trust will be dependent on the New York Tri-State area market due to limited geographic diversification and its financial results may suffer as a result of a decline in economic conditions in such area</li> </ul>	3.2

Topic	Summary	Where to find more information – Section(s)
What are the borrowing arrangements in relation to the Trust?	<ul style="list-style-type: none"> <li>• The Trust will own a 75% indirect interest in the Properties which will be held via the US LLC</li> <li>• The US LLC will borrow money, and assume debt, to assist in the purchase of the Properties. Accordingly, the Trust's indirect interest in the Properties will be geared</li> <li>• The borrowings of the US LLC will be denominated in US dollars</li> <li>• Upon receipt of the Final Instalment the underlying debt to total assets (Gearing Ratio) of the Trust (including its share of US LLC's external debt and assets) is expected to be approximately 55% (assuming that there is no change in the fair value of properties acquired from the fair values determined by CBRE in its July 2005 valuations) and approximately 80% of the borrowings will be contracted at a fixed rate for an average remaining term of four years</li> <li>• The long term target Gearing Ratio of the Trust is expected to be approximately 55%</li> </ul>	2.9, 7.4
Will the Trust have foreign exchange arrangements?	<ul style="list-style-type: none"> <li>• The Responsible Entity intends to implement a program of ongoing rolling foreign exchange hedges so that at any time 100% of estimated distributions for the following three years and 90% of estimated distributions for years four and five will be hedged</li> <li>• The Responsible Entity does not presently intend to hedge the capital value of the Trust's investments</li> </ul>	2.10, 3.2, 7.3, 7.4
What are the significant tax implications of investing in the Trust?	<ul style="list-style-type: none"> <li>• At present, the US REIT will generally not be subject to US Federal income tax on that portion of the US REIT's taxable income and capital gain which is distributed to shareholders</li> <li>• Future legislative, judicial or administrative action may impact the US REIT's tax status. If such action causes the US REIT to be subject to US corporate tax, returns from the US REIT, and therefore returns from the Trust would be negatively impacted</li> <li>• The US LLC and the US REIT will be a party to one or more Tax Protection Agreements that may adversely affect the US LLC's ability, for a period of seven years after certain Properties are contributed by Reckson, to dispose of such Properties in a wholly or partly taxable transaction</li> <li>• Unitholders who are residents of Australia may be subject to Australian tax on certain distributions from the Trust</li> <li>• There may be benefits for Unitholders from the forecast foreign tax credits which may be used as a rebate against Australian income tax payable on foreign sourced income, including in certain circumstances, income from the Trust</li> <li>• Unitholders holding more than 5.0% of the Trust may be subject to increased withholding tax under the current Australia/US tax treaty as amended by the Protocol. Also, if five or fewer individuals were to own directly or indirectly more than 50% of the Units, there could be adverse US tax consequences</li> <li>• Unitholders may be subject to tax on an amount that exceeds the cash distributions that they receive</li> <li>• Investors should seek tax advice applicable to their particular circumstances prior to investment</li> </ul>	2.6, 3.2, 7.4, 8.3, 8.4, 9.1.15

Topic	Summary	Where to find more information – Section(s)
What pre-emptive rights are there over the Properties?	<ul style="list-style-type: none"> <li>• There are provisions triggered by a change in the responsible entity of the Trust, to a party other than RAML or Reckson. If triggered, Reckson may commence a process causing a liquidation of the US LLC, whereby the assets and interests held by the US LLC are marketed for sale. If following completion of that process, the independent broker appointed to manage the sale process receives bona fide cash offers from one or more third parties to purchase all or any portion of the US LLC's assets or interests, the broker must provide Reckson with a copy of such offer or offers (or if there is more than one offer, the offer or offers that the broker believes delivers maximum value), and Reckson has the right, within 30 business days thereafter, to elect to purchase the assets and interests on the same material terms as those set forth in those offers</li> <li>• If Reckson does not exercise its right of first refusal, the US LLC will be permitted to sell the relevant assets and interests to any person upon terms and conditions no more favourable to the buyer than those set forth in the relevant offer for the succeeding six month period, and in the event that a sale is not consummated within the six month period, then Reckson will be granted a further right of first refusal with respect to the asset</li> <li>• Reckson has the right, but not the obligation, to maintain its 25% interest in the event that the US LLC issues additional equity</li> </ul>	3.2, 9.1.10
Does Reckson have a right to receive Units in the Trust?	<ul style="list-style-type: none"> <li>• After two years, Reckson will have the right to require the US LLC to redeem all or some of the US LLC units held by Reckson either for a cash amount (which will be an amount equal to the value of an equivalent number of Units) or, at the election of the US REIT, in exchange for an equivalent number of Units. The intended effect of converting to units is that Reckson's economic interest in the assets and the interests held by the US LLC will remain the same. For example, Reckson could elect to convert 10% (out of its 25% interest in the US LLC) into a 10% interest in the Trust, retaining a 15% direct interest in the US LLC</li> </ul> <p>If the Trust would be prohibited for any reason (including restrictions under applicable law) from issuing Units to Reckson, or if the Units would not be freely tradeable after they are issued, the Trust, the US REIT or the US LLC, as determined among them, will be required to pay the cash amount to Reckson for the redeemed US LLC units, subject to limited exceptions</p>	9.1.10

Topic	Summary	Where to find more information – Section(s)
What are the fees and costs payable by the Trust?	<p>The costs payable by the Trust, the US REIT and the US LLC include the following:</p> <ul style="list-style-type: none"> <li>• The Responsible Entity and Reckson share an annual management fee of 0.45% per annum of the gross value of the Trust’s direct or indirect proportionate interest in properties and other assets</li> <li>• Fees for acquisitions, dispositions, debt placement, due diligence, construction management, property management and leasing are paid out of the assets of the US LLC to Reckson or the relevant service providers</li> <li>• The fees and costs of the Offer (including acquisition costs, debt establishment costs and issue costs) are estimated to total \$28.3 million, inclusive of GST</li> <li>• Included in such fees are Sponsor Fees estimated to be \$7.2 million which Reckson will receive for the establishment of the Trust. Sponsor Fees comprise a transaction structuring fee, a capital structuring fee and a credit enhancement fee</li> <li>• There are no promote or performance fees payable to Reckson or the Responsible Entity</li> </ul>	2.8, 6, 9.1.3
Is there any commission payable to financial advisers?	<ul style="list-style-type: none"> <li>• A fee of up to 1.5% of the Issue Price per Unit will be paid out of the Trust’s assets in respect of Units issued pursuant to the Broker Firm Offer</li> <li>• These fees will only be paid to member organisations of ASX and members of the Financial Planning Association</li> <li>• This fee is paid by the Trust and the anticipated cost has been taken into account when preparing the financial forecasts</li> </ul>	2.20, 6.1
What is the dispute resolution procedure to deal with Unitholder complaints?	<ul style="list-style-type: none"> <li>• The Responsible Entity provides a complaints handling and dispute resolution process for Unitholders and is a member of an external complaints resolution body</li> </ul>	9.7
Is there a cooling-off period?	<ul style="list-style-type: none"> <li>• No, there is no cooling-off right for investors in trusts that are listed or to be listed within three months of the date of the product disclosure statement</li> </ul>	2.17
Does the Responsible Entity take into account labour standards, or environmental, social or ethical considerations when selecting, retaining or realising investments?	<ul style="list-style-type: none"> <li>• In view of the nature of property investment, the Responsible Entity will not take into account labour standards, or social or ethical considerations in selecting investments for the Trust</li> <li>• However, normal property due diligence is carried out in relation to acquisitions</li> </ul>	

Topic	Summary	Where to find more information – Section(s)
How can further information be obtained?	<ul style="list-style-type: none"> <li>• By speaking to your stockbroker, financial planner, accountant or other professional adviser</li> <li>• By calling the Reckson New York Property Trust Offer Information Line on toll free 1800 330 326 or +61 2 8280 7113, or visiting <a href="http://www.recksonnypt.com.au">www.recksonnypt.com.au</a></li> <li>• The Reckson New York Property Trust Offer Information Line will be open from 8.30am until 5.30pm Sydney time, Monday to Friday, from the date this PDS is lodged with ASIC until the Broker Firm Offer Closing Date</li> </ul>	2.21
Where do I get an Application Form?	<ul style="list-style-type: none"> <li>• An Application Form accompanies this PDS</li> </ul>	
Contact details	<ul style="list-style-type: none"> <li>• For further contact details, see the Corporate Directory on the inside back cover of this PDS</li> </ul>	



## **SECTION TWO** DETAILS OF THE OFFER

## SECTION 2 DETAILS OF THE OFFER

### 2.1 ISSUER DETAILS

This PDS is issued by the Responsible Entity. Further information about the Responsible Entity is in Section 4.4.

### 2.2 THE OFFER

You are invited to subscribe for Units in Reckson New York Property Trust (Trust). The money is being raised to acquire a 75% indirect interest in the US LLC which will own a portfolio of 25 well located quality office properties located in the New York Tri-State area. In addition to funds raised by the Offer, borrowings, including assumed debt, will be used to finance the purchase of the Properties (see structure diagram in Section 4.1).

The Offer will be for approximately \$263 million and 263 million Units. The Units are being offered as partly paid Units. The Initial Instalment is \$0.65 per Unit, with the Final Instalment of \$0.35 per Unit payable on 1 October 2006, making a fully paid Issue Price of \$1.00 per Unit. **If you do not pay the Final Instalment, your Units may be forfeited and sold on your behalf and you may be liable for up to the unpaid amount.**

If, after the number of Units to be issued has been determined, the number of Units applied for exceeds the number to be issued, applications will, at the discretion of the Responsible Entity in consultation with the Joint Lead Managers and Underwriters, be rejected or scaled back and Application Monies refunded without interest. The Joint Lead Managers and Underwriters have underwritten the subscription of Units and the payment of the Final Instalment. Material terms of the Underwriting Agreement, including circumstances under which the Joint Lead Managers and Underwriters may terminate their obligations, are set out in Section 9.1.2. If the Underwriting Agreement is terminated prior to Allotment the Issue may not proceed, in which case Application Monies will be refunded without interest.

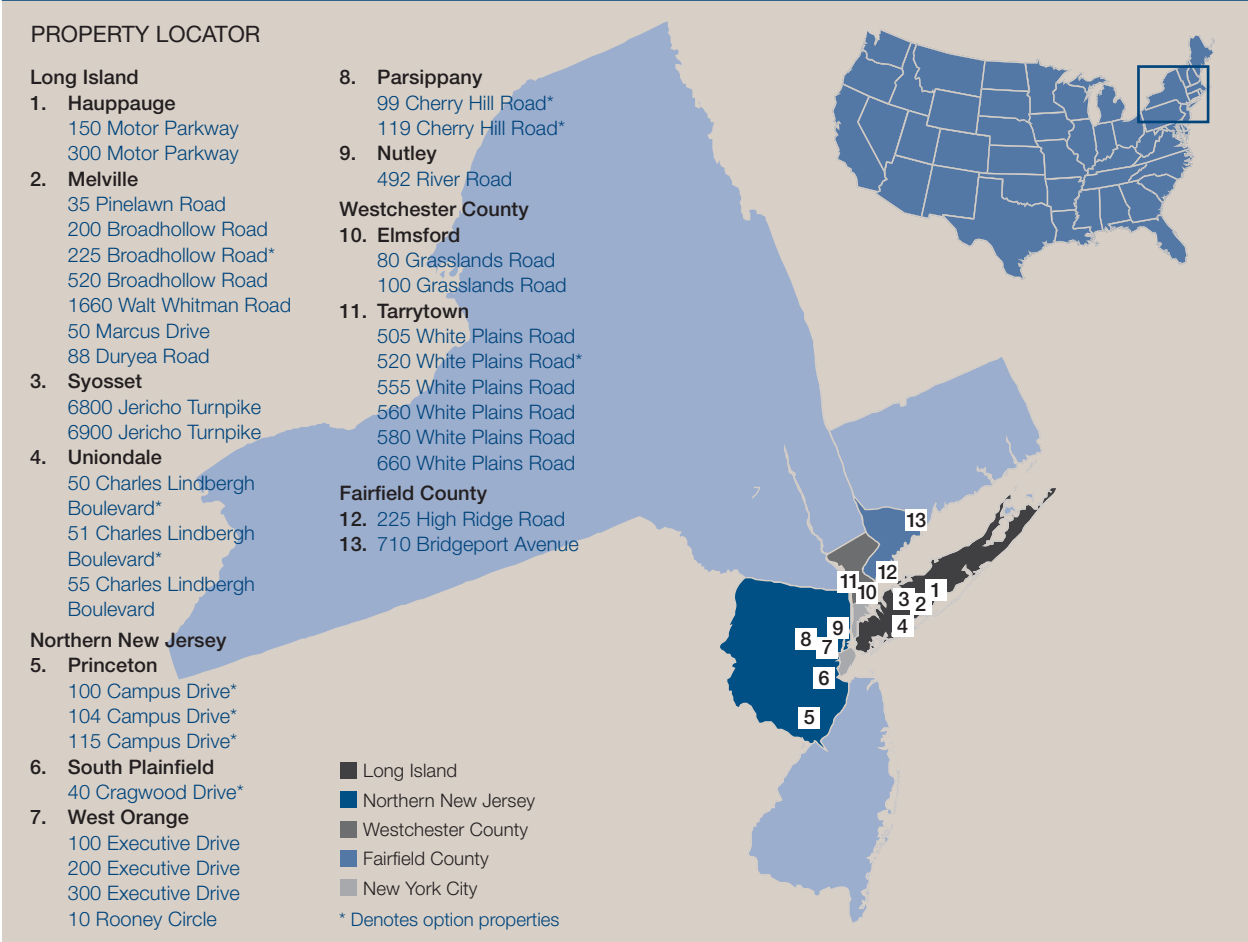
### 2.3 USE OF PROCEEDS

Following settlement of the Offer, the Responsible Entity will use funds raised to acquire from Reckson a 75% indirect interest in the US LLC which will own a US\$563 million portfolio of 25 office properties located in the New York Tri-State area and to pay the acquisition costs and costs of the Offer.

### 2.4 SUMMARY PORTFOLIO OVERVIEW

The Trust will have a 75% indirect interest in the US LLC which will own a portfolio of 25 well located quality office properties located in the New York Tri-State area following payment of the Final Instalment. Further interests in office properties may be acquired by the Trust in the future consistent with the Trust’s investment policy. The Trust’s investment policy is detailed in Section 2.12.

Further information about the property portfolio can be found in Section 5.



Address	Market	Purchase Date	Purchase Price <sup>(1)</sup> (US\$ million)	% of Portfolio
<b>Tranche 1 properties</b>				
225 High Ridge Road	Fairfield County	Sept '05	76.5	13.6
660 White Plains Road	Westchester County	Sept '05	50.3	8.9
150 Motor Parkway	Long Island	Sept '05	34.2	6.1
55 Charles Lindbergh Boulevard	Long Island	Sept '05	29.6	5.3
492 River Road	Northern New Jersey	Sept '05	28.4	5.0
560 White Plains Road	Westchester County	Sept '05	19.4	3.4
35 Pinelawn Road	Long Island	Sept '05	18.9	3.4
555 White Plains Road	Westchester County	Sept '05	17.7	3.2
200 Executive Drive	Northern New Jersey	Sept '05	16.0	2.8
100 Executive Drive	Northern New Jersey	Sept '05	14.5	2.6
80 Grasslands Road	Westchester County	Sept '05	14.2	2.5
200 Broadhollow Road	Long Island	Sept '05	11.8	2.1
10 Rooney Circle	Northern New Jersey	Sept '05	11.1	2.0
300 Motor Parkway	Long Island	Sept '05	8.1	1.4
100 Grasslands Road	Westchester County	Sept '05	8.0	1.3
88 Duryea Road	Long Island	Sept '05	4.0	0.7
505 White Plains Road	Westchester County	Sept '05	3.8	0.7
<b>Tranche 2 properties</b>				
6800 Jericho Turnpike	Long Island	Jan '06	30.9	5.5
580 White Plains Road	Westchester County	Jan '06	26.4	4.7
6900 Jericho Turnpike	Long Island	Jan '06	14.4	2.6
<b>Tranche 3 properties</b>				
710 Bridgeport Avenue <sup>(3)</sup>	Fairfield County	Oct '06	39.4	7.0
50 Marcus Drive	Long Island	Oct '06	37.1	6.6
300 Executive Drive	Northern New Jersey	Oct '06	17.2	3.1
520 Broadhollow Road	Long Island	Oct '06	16.0	2.8
1660 Walt Whitman Road	Long Island	Oct '06	15.0	2.7
<b>Total/average<sup>(4)</sup></b>			<b>563.2</b>	<b>100.0</b>

(1) 100% basis. Purchase prices are rounded

(2) NLA is gross lettable area (sq ft), less storage space, health clubs, café, antenna space, dropbox space and certain other non-office spaces

(3) Property includes both office and other flex uses including research and development

(4) Totals may vary slightly due to rounding

Appraisal <sup>(1)</sup> (US\$ million)	GLA (sq ft)	GLA Occupancy (%)	NLA (sq ft) <sup>(2)</sup>	NLA Occupancy (%)	CY06 Yield (%)
76.5	227,918	100.0	227,248	100.0	8.2
53.6	275,675	91.4	256,652	91.3	8.0
36.6	182,442	95.4	178,136	95.9	7.1
31.8	214,582	100.0	214,581	100.0	7.0
29.7	130,009	100.0	130,009	100.0	8.0
20.2	127,060	88.3	124,136	88.1	7.8
19.4	114,190	98.5	108,756	98.4	8.3
18.9	124,679	85.2	121,894	84.8	6.9
16.7	109,183	93.4	105,649	94.9	7.8
15.2	94,035	85.7	93,665	85.6	8.4
14.6	87,613	100.0	87,114	100.0	8.1
12.5	70,110	93.8	68,760	93.7	8.0
12.0	70,716	78.9	70,716	78.9	9.8
8.6	54,334	97.5	54,234	97.5	8.0
8.2	67,454	100.0	47,720	100.0	8.1
4.2	26,367	100.0	23,878	100.0	7.7
4.0	26,331	92.6	26,330	92.6	7.7
33.8	207,583	99.2	206,403	99.2	7.8
28.9	172,226	68.2	172,223	68.2	7.4
15.7	100,989	99.6	95,227	99.5	7.5
42.7	452,414	71.7	452,414	71.7	9.3
40.0	163,763	100.0	163,762	100.0	8.2
18.7	128,507	94.1	124,777	94.0	6.6
17.4	85,835	81.4	85,784	81.4	8.4
17.0	77,151	87.1	77,109	87.1	8.1
<b>596.9</b>	<b>3,391,166</b>	<b>90.5</b>	<b>3,317,177</b>	<b>90.2</b>	<b>7.95</b>

## PROPERTY OVERVIEW



## 2.5 CALL OPTION PROPERTIES OVERVIEW

The Trust has a call option, staggered over a two year period from 1 January 2006 to 1 January 2008, for the acquisition of a portfolio of up to 10 further properties from Reckson. Details of the call option properties are provided in the table below. For additional details relating to the conditions and terms of the call option see Section 9.1.12.

Address	Market	GLA (sq ft)
225 Broadhollow Road <sup>(1)</sup>	Long Island	193,108
51 Charles Lindbergh Boulevard	Long Island	108,000
50 Charles Lindbergh Boulevard	Long Island	231,720
40 Cragwood Road	Northern New Jersey	130,793
100 Campus Drive <sup>(2)</sup>	Northern New Jersey	27,890
104 Campus Drive <sup>(2)</sup>	Northern New Jersey	70,239
115 Campus Drive <sup>(2)</sup>	Northern New Jersey	33,600
99 Cherry Hill Road	Northern New Jersey	93,395
119 Cherry Hill Road	Northern New Jersey	95,183
520 White Plains Road	Westchester County	170,184

(1) Option is subject to Reckson exercising its option to acquire the property

(2) Option is on Reckson's 97% interest and subject to a potential additional performance based promote payment due to the minority partner

## 2.6 KEY FINANCIAL INFORMATION

The following table sets out the forecast distributions to Unitholders. Other than the first distribution period, which is for the period from Allotment Date to 31 December 2005, distributions will be paid half yearly in accordance with the distribution policy outlined in Section 2.7. Deloitte Corporate Finance Pty Limited has reviewed the Pro Forma Forecast Consolidated Income Statements for the period from Allotment to 31 December 2005 and the year ending 31 December 2006 and Pro Forma Consolidated Balance Sheet as at Allotment, collectively the Pro Forma Financial Forecasts, and its report is in Section 8.2.

### SUMMARY OF PRO FORMA FINANCIAL FORECASTS

These amounts represent the pro forma forecast results from the Trust's 75% indirect interest in the US LLC (refer to Section 4.1 for an overview of the structure).

	Period from Allotment to 31 Dec 2005 A\$ million	Forecast year ending 31 Dec 2006 A\$ million
Net Equity Accounted Profit of Interest in US LLC	11.1	34.9
Management Fee Expense	(0.5)	(2.1)
Borrowing Costs	(0.2)	(0.6)
Other Expenses	(0.1)	(0.6)
<b>Net Profit before Withholding Tax Expense</b>	<b>10.3</b>	<b>31.6</b>
Deferred Withholding Tax Expense	(1.5)	(4.1)
Withholding Tax Expense	(0.3)	(1.0)
<b>Net Profit After Withholding Tax Expense</b>	<b>8.5</b>	<b>26.5</b>
Distribution to Unitholders	3.9	16.9
Cash Distribution per Unit (cents)	1.49	6.41
<b>Distribution Yield<sup>(1)</sup></b>	<b>8.20%</b>	<b>8.70%</b>
Foreign Tax Credit per Unit (cents)	0.12	0.39
Distribution per Unit including Foreign Tax Credit (cents)	1.61	6.81
<b>Distribution Yield assuming Full Utilisation of Foreign Tax Credit<sup>(2)</sup></b>	<b>8.86%</b>	<b>9.23%</b>

Totals may vary slightly due to rounding

(1) Yield calculated on distributions per Unit divided by the average equity contributed per Unit and annualised in 2005

(2) Yield calculated on distributions and foreign tax credit per Unit, divided by the average equity contributed per Unit and annualised in 2005.

Refer to Section 8.4 for an analysis of the taxation implications arising from the utilisation of foreign tax credit

The reconciliation between net profit after tax expense and distribution to Unitholders for the Forecast Period is summarised below:

	Period from Allotment to 31 December 2005		Financial year ending 31 December 2006	
	US\$ million	A\$ million	US\$ million	A\$ million
<b>Net Profit after Withholding Tax Expense</b>	<b>6.6</b>	<b>8.5</b>	<b>20.2</b>	<b>26.5</b>
Plus: Deferred Tax Expense	1.2	1.5	3.1	4.1
Plus: Mortgage and Bond Amortisation	0.1	0.1	0.3	0.4
Less: Straight-line Rental Adjustments	(0.6)	(0.8)	(2.3)	(3.1)
Less: Gain on Property Acquisitions	(4.1)	(5.4)	(8.3)	(10.8)
Transfer (to)/from Unitholders' Funds	(0.0)	(0.0)	(0.1)	(0.2)
<b>Subtotal</b>	<b>(3.5)</b>	<b>(4.6)</b>	<b>(7.3)</b>	<b>(9.6)</b>
<b>Distribution to Unitholders</b>	<b>3.0</b>	<b>3.9</b>	<b>12.9</b>	<b>16.9</b>

Totals may vary due to rounding

Property investments are held via the US LLC over which the Trust (through the US REIT) exercises joint control. Neither the Trust nor Reckson individually controls the US LLC, irrespective of their ownership interest. Accordingly the Trust has adopted the equity method of accounting for its investment in the US LLC. Under this method, the consolidated entity's share of the net profit or loss of the US LLC is recognised in the Pro Forma Forecast Consolidated Income Statements.

The purchase price for the Properties to be acquired in Tranches 1, 2 and 3 is fixed. The Properties will be recorded at their fair market value at the date of acquisition. The excess of the fair market value over the total cost of acquisition will be recognised as a gain in the Trust's equity accounted profit from the US LLC, in accordance with AASB 140 Investment Property.

The Pro Forma Forecast Consolidated Income Statements assume that the fair market value of each property at the date of acquisition under Tranche 1, Tranche 2 and Tranche 3 is equal to the value of each property as determined by CBRE in its valuations dated July 2005. The Trust's equity accounted share of the difference between the CBRE July 2005 valuation and the total cost of acquisition has been recognised as a gain in the Trust's Pro Forma Forecast Consolidated Income Statements for the period from Allotment to 31 December 2005 for Tranche 1 and the year ending 31 December 2006 for Tranches 2 and 3. Details of the Trust's share of the assumed gains and the period in which they have been recognised are outlined in the table below.

	Properties (A\$ million)		
	Tranche 1	Tranche 2	Tranche 3
Date of Acquisition	21 Sep 2005	5 Jan 2006	1 Oct 2006
<b>Fair Value</b>	<b>372.1</b>	<b>76.5</b>	<b>133.8</b>
Purchase Price	356.7	70.0	122.9
Acquisition Costs	10.0	1.4	2.5
Capitalised Property Costs	–	2.7	–
<b>Total Cost of Acquisition</b>	<b>366.7</b>	<b>74.1</b>	<b>125.4</b>
<b>Net Gain Arising on Property Acquisitions</b>	<b>5.4</b>	<b>2.4</b>	<b>8.4</b>

The Pro Forma Forecast Consolidated Income Statements assume that, other than the initial net gain arising from the acquisition of each property under Tranche 1, Tranche 2 and Tranche 3, there is no subsequent gain or loss arising from future changes in the fair market value of each property to 31 December 2006. The Responsible Entity has made this assumption as it does not believe that there is any reasonable basis to make forecasts over the period to 31 December 2006 in relation to future capitalisation rates, property yields or general market conditions, all of which are outside its control.

The Pro Forma Forecast Consolidated Income Statements do not include movements in the market values of derivatives as required by the introduction of AASB 139 Financial Instruments: Recognition and Measurement as the Responsible Entity does not believe there is any reasonable basis to make forecasts in relation to future market conditions, all of which are outside its control. For these reasons, the Responsible Entity is unable to accurately quantify the impact on the Pro Forma Forecast Consolidated Income Statements of movements in the market value of derivatives.

In addition to the Unitholders' share of the Trust's taxable income, Unitholders are forecast to receive foreign tax credit resulting from withholding tax paid in the US. Forecast foreign tax credit may be credited against a Unitholder's Australian income tax payable on certain types of foreign sourced income. Unitholders should be aware that there are requirements related to their personal tax position that must be met in order to claim foreign tax credit. In addition, a portion of the distributions may be tax deferred over the Forecast Period. Further details about tax implications of investing in the Trust are in Sections 7.4 and 8.3 and 8.4.

The Responsible Entity can give no assurance that the Pro Forma Financial Forecasts will be achieved or that the Trust will be able to make distributions during or after the Forecast Period at the levels forecast for the Forecast Period. This is because the Trust's actual financial results and distributions will be affected by many factors that are beyond the Responsible Entity's and its Directors' control. A number of these factors are set out in Sections 3 and 7.4.

Further details of the Trust's pro forma financial forecasts, including the assumptions made, are in Section 7.

## 2.7 DISTRIBUTION POLICY

The Responsible Entity intends to make half yearly distributions from the Trust. Distributions are expected to be paid in February and August each year. However, the first distribution paid will be in respect of the period from Allotment to 31 December 2005 and is expected to be paid in February 2006.

Unitholders will be subject to Australian tax on their share of the taxable income of the Trust. This may be different than the cash distributions received from the Trust.

Investors should note that the Responsible Entity does not guarantee that the forecast level of distributions will be achieved.

For further details about the potential risks associated with investing in the Trust, refer to Section 3.2.

## 2.8 SOURCES AND APPLICATIONS OF FUNDS

The sources and application of funds raised for the Offer are set out below. These figures represent the Trust's 75% indirect interest in the US LLC (refer to overview of the structure in Section 4.1).

	Tranche 1 On Allotment US\$ million	Tranche 2 5 Jan 2006 <sup>(2)</sup> US\$ million	Tranche 3 Final Instalment 1 Oct 2006 <sup>(2)</sup> US\$ million	Total US\$ million	Tranche 1 On Allotment A\$ million	Tranche 2 5 Jan 2006 <sup>(2)</sup> A\$ million	Tranche 3 Final Instalment 1 Oct 2006 <sup>(2)</sup> A\$ million	Total A\$ million
<b>Sources of Funds<sup>(1)</sup></b>								
Proceeds from Issue	132.1	0.0	70.2	202.3	171.2	0.0	92.2	263.4
Debt	159.0	57.5	27.7	244.2	206.1	74.8	36.4	317.4
<b>Total Sources of Funds<sup>(3)</sup></b>	<b>291.1</b>	<b>57.5</b>	<b>97.9</b>	<b>446.5</b>	<b>377.3</b>	<b>74.8</b>	<b>128.7</b>	<b>580.8</b>
<b>Application of Funds<sup>(1)</sup></b>								
Purchase of Indirect Interests in Properties	275.1	53.7	93.5	422.4	356.7	70.0	122.9	549.5
Sponsor Fees	3.6	0.8	1.1	5.6	4.7	1.0	1.5	7.2
Other Acquisition Costs	4.3	0.3	0.8	5.3	5.5	0.4	1.0	6.9
Debt Establishment Costs	1.0	0.5	0.4	1.9	1.2	0.7	0.5	2.5
Defeasance Costs	0.0	2.1	0.0	2.1	0.0	2.7	0.0	2.7
Issue Costs	6.9	0.0	2.1	9.0	9.0	0.0	2.8	11.7
Working Capital	0.2	0.0	0.0	0.2	0.2	0.0	0.0	0.2
<b>Total Application of Funds<sup>(3)</sup></b>	<b>291.1</b>	<b>57.5</b>	<b>97.9</b>	<b>446.5</b>	<b>377.3</b>	<b>74.8</b>	<b>128.7</b>	<b>580.8</b>

(1) Assuming an exchange rate of US\$0.77 to A\$1.00 for Tranches 1 and 2 and US\$0.76 to A\$1.00 for Tranche 3. Further details can be found in Section 7

(2) Estimated date

(3) Totals may vary slightly due to rounding

## 2.9 BORROWINGS AND FINANCIAL RISK MANAGEMENT POLICY

The US LLC will borrow, or assume debt, to partly fund its purchase of the Properties. The borrowings of the US LLC will be denominated in US dollars and may be secured against the Properties.

The Trust will share in the economic effect of these borrowings to the extent of its interest in the US LLC. Upon receipt of the Final Instalment, the Trust's 75% share of the US LLC's borrowings will be approximately US\$250.0 million and it is anticipated that approximately 80% of all US LLC debt will be fixed for an average remaining term of four years.

The Trust has a finance and borrowing policy that addresses the Trust's approach to managing these risks. The policy includes the following key elements in relation to borrowings:

- the long term Gearing Ratio will be approximately 55% (assuming that there is no change in the fair value of properties acquired from the values determined by CBRE in its July 2005 valuations). The Trust or its affiliates may obtain, on a temporary basis, financing which may result in the Gearing Ratio exceeding 55%;

- the Trust or its affiliates may use interest rate hedging instruments to reduce exposure to changes in interest rates;
- the Trust or its affiliates may maintain access to borrowings to ensure it has sufficient working capital to carry out its objectives.

For further information about borrowings, refer to Section 7.4. As a result of the above, following Allotment, the Trust will have enough working capital to carry out its stated objectives.

## **2.10 FOREIGN EXCHANGE HEDGING POLICY**

The Responsible Entity has a policy to undertake foreign exchange hedging of forecast distributions to insulate against movements in exchange rates, both favourable and unfavourable.

The policy is to arrange half yearly rolling foreign exchange hedges equivalent to:

- 100% of the Trust's estimated distributions for the next three years; and
- 90% of the Trust's estimated distributions for years four and five.

The Responsible Entity will review such foreign exchange hedges when it believes there has been a material change in the expected distributions of the Trust.

This policy is intended to provide a degree of certainty for Unitholders that changes in the exchange rate between the Australian and US dollar will not have a significant impact on the distributions in Australia within the subsequent five year period and that the impact of any sustained changes in the exchange rate are phased in progressively. The cost of implementing these hedges is incorporated into the hedged exchange rate. Security may be given over the direct and indirect assets of the Trust to the counterparty to the foreign exchange hedges to protect the counterparty against the risk of default. The policy may be reviewed by the Responsible Entity from time to time.

The foreign exchange hedging arrangements entered into by the Trust may not be deemed to be effective hedges for accounting purposes. Therefore the income statement may experience volatility due to the revaluation of derivatives. However, this will not affect the cash flows from operations and hence the distributions paid to Unitholders.

## **2.11 NET ASSET BACKING AND APPRAISAL POLICY**

CBRE has provided an independent appraisal for each of the Properties in which the Trust is to acquire an indirect interest. The Purchase Price of the Trust's indirect interest in the Properties represents a discount of more than 5% to appraised value before acquisition costs.

Upon receipt of the Final Instalment, the net asset value per Unit is expected to be \$1.00 per Unit, after carrying the Properties at their appraised value as determined by CBRE. This compares with the fully paid Issue Price of \$1.00 per Unit.

Summaries of the appraisals are contained in Section 8.1.

The fair value basis is used to measure the carrying amount of investment properties. AASB 140 Investment Property will therefore require that each property be revalued to its fair market value at each reporting period where there is a material change in the value of the properties. This will then be recognised by the Trust in its net equity accounted profit of the US LLC.

Independent appraisals of the Properties in which the Trust has an interest will be obtained at least every three years (or whenever the Responsible Entity believes a material change in value has occurred) to use as a basis for measuring the carrying amount of the Trust's interest in the Properties.

At reporting dates occurring between independent appraisals, the Directors of the Responsible Entity will review the carrying value of the interest in the Properties to be satisfied that, in their opinion, the carrying value is not materially different to the fair value of the Trust's interest in the Properties at that date.

Further information about the appraisal policy is contained in Section 7.4.

## **2.12 INVESTMENT POLICY**

The Investment Policy for the Trust is designed to maintain and enhance Unitholder returns. The main elements of this policy are:

- acquisition of properties which are expected to provide sustainable earnings;
- ownership of properties in the form of leasehold or freehold interests;
- acquisition of properties with reference to fair market value as determined by an independent qualified US property appraiser;
- all acquisitions shall be subject to property due diligence, consistent with prudent US market practice, in particular to ensure that any property has:
  - no material compliance or statutory problems;
  - no material unmitigated environmental problems;

- no material issues related to title or survey; and
- no material legal impediments which may prevent ownership being transferred;
- Reckson has no obligation to provide the Trust with future acquisition opportunities and the Responsible Entity has no obligation to acquire any property proposed by Reckson;
- The Responsible Entity will review its investment policy from time to time and may amend the policy without Unitholder approval.

## **2.13 REPORTS WHICH WILL BE PROVIDED TO UNITHOLDERS**

The Responsible Entity will provide, at least:

- half yearly reports;
- annual reports;
- half yearly distribution advice statements; and
- annual tax statements.

The Responsible Entity will also comply with all laws and the Listing Rules as they relate to reports to be provided to investors.

## **2.14 ASX LISTING**

Application to ASX for the admission of the Trust to the official list of ASX and for official quotation of the Units will be made as soon as practicable following the date of this PDS, and in any event within seven days after that date. If the Trust is admitted to the official list of ASX, quotation of the Units will commence as soon as practicable thereafter in accordance with the Key Dates on page 3 of this PDS.

If ASX does not agree to quote the Units, no Units will be issued and all Application Monies received under the PDS will be returned to Applicants. Interest will not be paid on any Application Monies refunded. Any interest earned on the Application Monies will be retained by the Responsible Entity.

## **2.15 ASX CLEARING HOUSE ELECTRONIC SUB-REGISTER SYSTEM**

The Trust will apply to participate in the ASX's Clearing House Electronic Sub-register System (CHES), in accordance with the Listing Rules, the ACH Clearing Rules and the ASTC Settlement Rules. CHES is an automated transfer and settlement system for transactions in securities quoted on ASX under which transfers are effected in an electronic form.

When the Units become CHES approved securities, holdings will be registered in one of two sub-registers, an electronic CHES sub-register or an issuer sponsored sub-register. A CHES participant, or a person sponsored by a CHES participant, will have their Units registered on the CHES sub-register. All other Units will be registered on the issuer sponsored sub-register.

Following Allotment, Unitholders will be sent an initial Holding Statement that sets out the number of Units that they have been allocated. This Holding Statement will also provide details of a Unitholder's Holder Identification Number (HIN) or, where applicable, the Securityholder Reference Number (SRN) of issuer sponsored holders.

Certificates will not be issued but Unitholders will receive statements showing any changes to their unitholding.

## **2.16 HOW TO INVEST**

The Offer to Australian investors is a Broker Firm Offer to Australian resident retail investors who receive a firm allocation of Units from their broker (Broker Firm Applicants) and an Institutional Offer to certain institutional investors in Australia (Institutional Investors).

The minimum application is 5,000 Units at a fully paid Issue Price of \$1.00 per Unit (that is, \$3,250 on Application and a further \$1,750 estimated to be on 1 October 2006), and thereafter in multiples of 100 Units.

There is no general public offer of Units under this PDS.

All Units offered for issue under this PDS are issued subject to the disclosure in this PDS and will rank equally with each other.

### **BROKER FIRM APPLICANTS**

Broker Firm Applicants should apply for Units and submit their payment in full for such Units in accordance with the instructions received from their broker.

If you elect to participate in the Broker Firm Offer, your broker will act as your agent in submitting your Application Form and Application Monies. It will be your broker's responsibility to ensure that your Application Form and Application Monies are submitted before 5.00pm Sydney time on the Broker Firm Offer Closing Date.

None of the Responsible Entity or the Joint Lead Managers and Underwriters accept responsibility for any acts or omissions of any broker in connection with Applications, Application Forms or Application Monies of Broker Firm Applicants.

Broker Firm Applicants validly participating through the Broker Firm Offer will be allocated the full number of Units they applied for up to the amount of the firm allocation notified by their broker. It is a matter for brokers (not the Responsible Entity or the Joint Lead Managers and Underwriters) as to how each broker allocates Units among its clients in the Broker Firm Offer. It is the sole responsibility of the broker to ensure that its clients who receive a firm allocation receive the relevant Units.

#### **INSTITUTIONAL INVESTORS**

The offer to Institutional Investors will be managed by the Joint Lead Managers and Underwriters. Institutional Investors must apply in accordance with the instructions received from the Joint Lead Managers and Underwriters.

#### **ALL APPLICATIONS**

The Responsible Entity reserves the right to decline any Application in whole or in part, without giving any reason. Money received in respect of Applications that are declined in whole or in part will be refunded (without interest) in whole or in part (as the case may be). Refunds for unsuccessful Applications will be posted within five business days of Allotment. Interest will not be paid on any Application Monies refunded to Applicants. Any interest earned on Application Monies will be retained by the Responsible Entity.

#### **2.17 COOLING-OFF**

There is no cooling-off right for investors in trusts that are listed or to be listed within three months of the date of the product disclosure statement.

#### **2.18 APPLICATION MONIES AND INTEREST**

Application Monies received under the Offer will be held in a special purpose account until Units are issued to successful Applicants. Any interest earned on Application Monies will be retained by the Responsible Entity.

#### **2.19 OVERSEAS INVESTORS**

No action has been taken to register or qualify the Units or otherwise to permit a public offering of the Units in any jurisdiction outside of Australia.

This PDS does not constitute an offer or invitation in any place in which, or to any person to whom, it would not be lawful to make such an offer or invitation. The distribution of this PDS in jurisdictions outside Australia may be restricted by law. Persons who come into possession of this PDS who are not in Australia should seek advice on and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable securities law.

In particular, the Units have not been and will not be registered under the US Securities Act of 1933, as amended, (US Securities Act) or the laws of any State of the United States and may not be offered or sold within the United States or to, or for the account or benefit of a US person (as defined in Regulation S of the US Securities Act) except in a transaction exempt from the registration requirements of the Securities Act or applicable US State securities law.

#### **2.20 BROKER FIRM FEE**

A fee of up to 1.5% of the Issue Price per Unit will be paid out of the Trust's assets in respect of Units allotted pursuant to the Broker Firm Offer. These fees will only be paid to member organisations of ASX and members of the Financial Planning Association.

#### **2.21 UNITHOLDER ENQUIRIES**

You should read the whole of this PDS and consider all of the risk factors that could affect the performance of the Trust and other information concerning the Units in light of your own particular investment objectives, financial circumstances and particular needs (including financial and taxation issues) before deciding whether to invest in the Trust. Some of the risk factors that should be considered by potential investors are set out in Section 3.2. If you have any questions or are uncertain as to whether the Trust is a suitable investment for you, you should seek professional advice from your stockbroker, financial planner, accountant or other professional adviser before deciding whether to invest in the Trust.

If you have any questions in relation to the Offer, the Trust or this PDS please call the **Reckson New York Property Trust Offer Information Line on toll free 1800 330 326 or +61 2 8280 7113** or visit Reckson New York Property Trust's website at **[www.recksonnypt.com.au](http://www.recksonnypt.com.au)**.

For further contact details, see the Corporate Directory on the inside back cover of this PDS.

This page has been left blank intentionally.



# SECTION THREE

## SUMMARY OF BENEFITS AND RISKS

## SECTION 3 SUMMARY OF BENEFITS AND RISKS

### 3.1 BENEFITS OF THE TRANSACTION

#### EXPOSURE TO THE NEW YORK TRI-STATE OFFICE MARKET

With a total population of 31.4 million and total office market Gross Lettable Area (GLA) of over 560 million sq ft, the New York Tri-State office market offers compelling real estate market dynamics and demographics, including lower than national average vacancy rates, higher than national average net absorption rates, low levels of new construction starts, increasing market rents and higher than national average household income.

#### ATTRACTIVE DISTRIBUTION YIELD

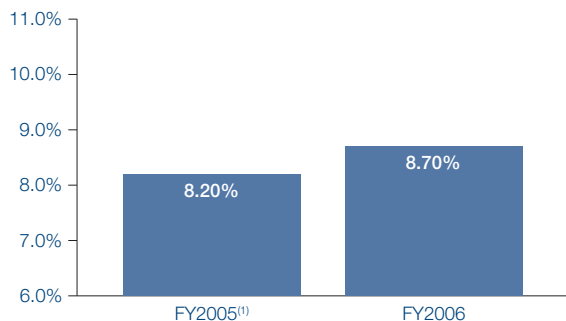
The forecast distributions (based on the assumptions outlined in Section 7.4) represent a yield of 8.70% for the first full financial year of operation ending 31 December 2006 and an Annualised Yield of 8.20% on the Initial Instalment of \$0.65 per Unit for the period from Allotment to 31 December 2005.

Unitholders may be able to use foreign tax credit (including that generated through an investment in the Trust) as a rebate against their Australian tax liability arising from foreign sourced income of the same class. Assuming full utilisation of the foreign tax credit, the forecast distributions represent a yield of 9.23% for the first full financial year of operation ending 31 December 2006 and an Annualised Yield of 8.86% on the Initial Instalment of \$0.65 per Unit for the period from Allotment to 31 December 2005.

The estimated tax deferred percentage of distributions is at least 75% for the period to 30 June 2006 and at least 70% for the six months to 31 December 2006. The tax deferred component will not be included in the assessable income of Unitholders, however, it will reduce the cost base of Units for capital gains tax purposes. For further information on the Australian tax treatment of the distributions refer to Section 8.4.

Refer to Sections 7.4, 8.3 and 8.4 for further details on taxation in relation to the Trust. Further information about the financial forecasts is provided in Section 7.

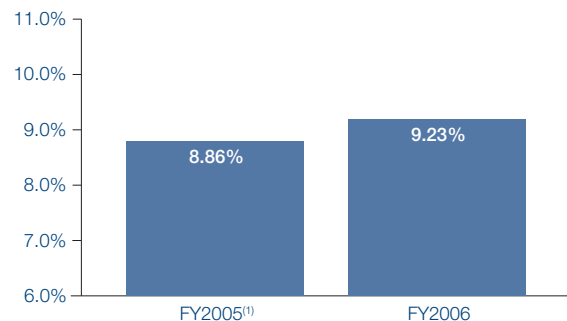
#### FORECAST DISTRIBUTION YIELD



(1) FY2005 Annualised Yield

#### FORECAST DISTRIBUTION YIELD

(ASSUMING FULL UTILISATION OF FOREIGN TAX CREDIT)



(1) FY2005 Annualised Yield

#### PORTFOLIO OF WELL LOCATED QUALITY OFFICE PROPERTIES

The Properties represent a portfolio of well located quality office properties which are approximately 90% leased, have a weighted average lease term to expiry of approximately 4.4 years (by income) and a broad range of tenants representing a diverse industry base. The Properties offer organic growth opportunities through lease up of vacant space, as well as a positive re-leasing spread to market rents for new leases and lease renewals.

#### EXPOSURE TO A DIVERSIFIED TENANT BASE

The portfolio has a diversified tenant base spread across a broad range of industries, with no single tenant accounting for more than 6.3% of income or 4.8% of GLA. The table in Section 5.2 provides a detailed overview of the top 25 tenants (by income) in the portfolio.

## HIGHLY EXPERIENCED MANAGEMENT TEAM IN AUSTRALIA AND THE US

RAML and Reckson bring a strong combination of financial skills and property expertise to the management of the Trust.

RAML will be based in Australia and, as an affiliate of Reckson, it will draw on the expertise of Reckson executives based in the US.

Reckson was founded 47 years ago and was first listed on the New York Stock Exchange in 1995. Reckson is one of the largest publicly traded owners, developers and managers of office properties in the New York Tri-State area. As at July 2005 Reckson had approximately 300 employees and owned, directly, indirectly or under contract 90 office properties totalling approximately 18.9 million sq ft. Reckson had an equity market capitalisation of approximately US\$2.8 billion as at July 2005. According to NAREIT, as of 30 June 2005, Reckson was the sixth largest US office REIT.

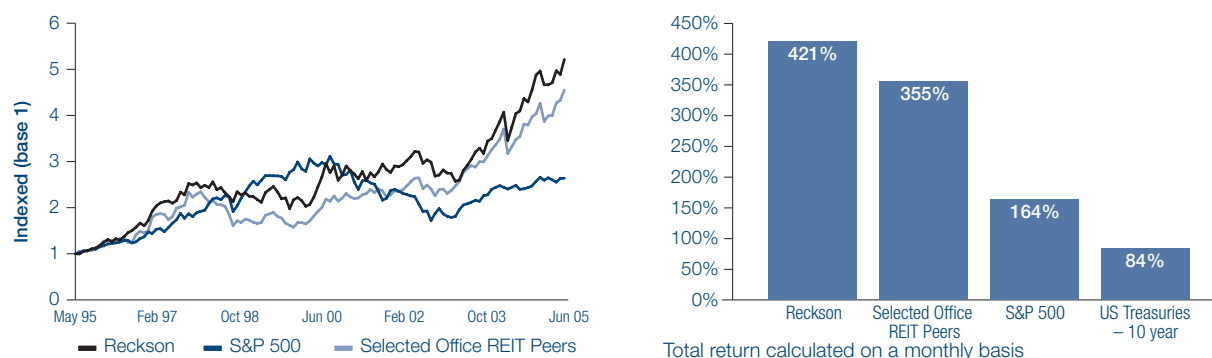
Reckson's vision is to be the "landlord of choice" for office properties in the New York Tri-State area through owning and managing quality properties and providing the highest level of service to tenants. Reckson seeks to achieve this vision by leveraging its core competencies to be the most effective operator, investor and developer in the New York Tri-State area.

In order to accomplish this, Reckson aims to:

- own and manage well located quality office properties in the New York Tri-State region;
- produce consistent and sustainable earnings growth;
- consistently outperform the market (occupancy, rents and operating margins);
- be the "best in class" in financial management and corporate governance; and
- maintain an aligned, ethical and focused management team.

A summary of RAML and Reckson is detailed in Section 4.

## TOTAL RETURN RELATIVE PERFORMANCE SINCE RECKSON IPO



(1) Total returns as of 30 June 2005

(2) Selected office REIT peers are comprised of major US office REITs listed on the New York Stock Exchange which the Responsible Entity believes to be comparable with Reckson, including ARI, BXP, BDN, BPO, CEI, CLI, CRE, CRO, EOP, HRP, MPG, OFC, PKY, PP and SLG

## ALIGNMENT OF INTERESTS

Reckson is expected to retain a 25% interest in the US LLC which owns the Properties, as Reckson strongly believes in the long term strategic rationale and viability of the New York Tri-State market. This level of co-investment demonstrates a tangible alignment of interest between Reckson and Unitholders.

## CALL OPTION PROPERTIES

Reckson has provided the Trust with a call option to acquire up to 10 additional properties from Reckson (with exercise subject to these properties meeting the Trust's Investment Policy and Borrowings and Financial Risk Management Policy (set out in Sections 2.12 and 2.9 respectively)). These properties over which the Trust has a call option, provide identifiable acquisition opportunities for the Trust, staggered over the two years from 1 January 2006 to 1 January 2008.

### 3.2 POTENTIAL RISKS

Before deciding whether to apply for Units, investors should consider whether Units are a suitable investment for them. Investors should recognise that there are a number of risks associated with investing in both property and listed securities. The price at which the Units trade on ASX can fall as well as rise. There is also a risk that the forecasts prepared by the Responsible Entity will not be met.

Investors should note that although the Responsible Entity has endeavoured to ensure that the assumptions used in the preparation of the forecasts are reasonable, there are a number of factors which may affect the achievement of the forecasts, many of which are beyond the Responsible Entity's and Reckson's control.

Major factors outside the control of such persons, which may have an effect on the value of the Properties, the net income of the Trust, distributions paid by the Trust, the Trust's ability to meet the forecasts and the price at which Units trade on ASX include, but are not limited to, the following:

#### GENERAL ECONOMIC RISKS

- Changes in political, legal, regulatory or economic conditions in the New York Tri-State area or the US;
- changes in the level of interest rates in the US.

#### CHANGES IN LAW AND GOVERNMENT POLICY

- Changes in law or government policy affecting the real estate or financial markets in the US or Australia;
- changes in law or government policy relating to foreign ownership of real estate in the US or treaties between the US and foreign countries.

#### TAX RISKS

- Changes to tax laws, interpretation and practice in the US and Australia may affect future earnings;
- Unitholders should recognise that the present US federal income tax treatment of a REIT and an investment in a REIT may be modified by legislative, judicial, or administrative action at any time and that any such action may affect investments and commitments previously made. Changes in US federal income tax laws and interpretations of these laws could adversely affect the US REIT and the tax consequences of an investment in the US REIT. For further information see Section 8.3;
- changes in government legislation, including changes to the US/Australia tax treaty, and changes to taxation laws in Australia and the US, may affect future earnings and the relative attractiveness of investing in the Trust. Although RAML believes that under current law, the US REIT will be organised, owned and operated so that it qualifies as a real estate investment trust under the US Internal Revenue Code, given the highly technical and complex nature of the rules governing status as a real estate investment fund, the importance of factual determinations and the possibility of future changes in circumstances or law, no assurance can be given that the US REIT will qualify or remain qualified as a real estate investment trust. In order for the US REIT to qualify as a real estate investment trust under the Internal Revenue Code, no more than 50% of the value of its shares may be owned, directly or indirectly, by five or fewer individuals (including holders of Units in the Trust) during the last half of any taxable year of the US REIT (other than the first taxable year for which the US REIT elects to be treated as a real estate investment trust) (called the "5/50 Rule"). If the US REIT were to fail to satisfy the 5/50 Rule, it would likely not qualify as a real estate investment trust, and would be required to pay US federal income tax at ordinary corporate rates. This would adversely affect the ability of the US REIT to make distributions to the Trust and accordingly, the Trust's ability to make distributions to Unitholders. The US REIT's Articles of Incorporation contain certain restrictions and notification requirements in relation to the ownership of shares of capital stock of the US REIT. An acquisition by a Unitholder that would cause the US REIT to violate the 5/50 Rule would trigger certain measures contained in the articles designed to prevent this from happening. Such provisions could result in the automatic transfer of certain shares of the US REIT held by the Trust to a trust for the exclusive benefit of one or more charitable beneficiaries (the "charitable trust"). The automatic transfer would be effective as of the close of business on the business day prior to the date of the violation of the 5/50 Rule. Any dividends or other distributions with respect to such shares after the effective date would be payable to the charitable trust. Upon a sale of such shares by the charitable trust, the Trust would generally be entitled to the lesser of: (1) the fair market value of such shares on the day immediately preceding the effective date of the transfer; and (2) the sales price received by the charitable trust;
- in general, dividends that are paid by a real estate investment trust to a non-US shareholder, and that are not attributable to capital gains, are subject to 30% US withholding tax. The Australian/US income tax treaty generally provides that dividends paid by a real estate investment trust to a listed property trust are generally subject to a 15% US withholding tax. However, if RAML has reason to know that any Unitholder owns 5% or more of the beneficial interest in the Trust, then the Unitholder will be deemed to hold a corresponding portion of the Trust's interest in the US REIT and will be deemed to be beneficially entitled to the US REIT dividends paid on such interest. In general, the US REIT dividend paid in respect of such a Unitholder will be subject to a reduced 15% withholding tax rate only if: (1) the Unitholder is an individual treated as owning an interest of

not more than 10% in the US REIT; (2) the Unitholder is treated as owning an interest of not more than 5% in the US REIT and certain other conditions are met; or (3) the Unitholder is treated as owning an interest of not more than 10% in the US REIT and the gross value of no single interest in real property held by the US REIT exceeds 10% of the gross value of the US REIT's total interest in real property. These matters are more fully discussed in the US tax advice in Section 8.3;

- the Trust should not be liable to pay income tax on the basis that the Unitholders will be presently entitled to all of the net income of the Trust. The Trust may be liable to pay income tax if, in any given year, it is cast as either a public trading trust or a corporate unit trust. Although the intention is that the Trust will not meet these requirements, the activities of the Trust will need to be reviewed on an annual basis to confirm that this is in fact the case.

#### FOREIGN EXCHANGE RISKS

- Substantially all of the Trust's underlying assets and income will be denominated in US dollars. Foreign currency movements between the Australian dollar and the US dollar may impact returns to investors. The Australian dollar has been subject to significant fluctuations against the US dollar in the past and may be subject to significant fluctuations in the future. While the Foreign Exchange Hedging Policy of the Trust (see Section 2.10) is designed to partially insulate Unitholders against movements in exchange rates, it does not entirely remove the potential impact of foreign exchange movements on Unitholder returns;
- with respect to foreign exchange hedging of expected distributions, it is not always possible to perfectly align the amount or timing of hedging with the risk to be hedged. Despite the hedging policy of the Trust, over time, the value of Australian dollar distributions made by the Trust may reflect general trends in exchange rate movements for all amounts unhedged and where there is a mismatch in the timing of the hedge, as well as the impact of hedging arrangements undertaken in periods after the Allotment Date;
- investors should consider the impact of an adverse change in the Australian dollar and the US dollar exchange rate for expected distributions not hedged. If any foreign exchange restrictions or controls were to be introduced for transactions with respect to the Australian dollar or the US dollar, the restriction may adversely affect the Trust.

#### INTEREST BEARING DEBT FINANCING RISKS

- Changes to the availability of borrowings and the interest margins required by lenders may require the US LLC to borrow at interest rates greater than those assumed, thereby affecting distributions;
- upon completion of the Offer, approximately 20% of the US LLC's indebtedness will bear a floating rate of interest, therefore the Trust will be exposed to the risk of increasing interest rate expenses to the extent that interest rates in the US rise.

#### GENERAL PROPERTY RISKS

- Changes in the property market, especially changes in the appraisals of properties and in market rents;
- increased supply of office properties in the New York Tri-State area may affect the ability to secure lease renewals or obtain replacement tenants, and increase the time required to let vacant space;
- the rate and duration of vacancies following the expiry of leases that lead to reduced occupancy rates which would reduce the Trust's rental income and the ability to recover certain operating expenses such as taxes, insurance, utilities and maintenance costs;
- the possibility of arrears and/or default by tenants on their obligations which would reduce the income to the Trust, thereby reducing the amount available for distributions;
- unforeseen capital expenditure requirements which would increase the Trust's funding cost;
- the Trust does not control the US LLC and in some instances, including any proposed sale of all or substantially all of the Properties, the consent of the majority of other members (i.e. Reckson) is required;
- unforeseen environmental issues may affect any of the Properties in which the Trust has an interest. Four known environmental issues are indemnified by Reckson in the Contribution Agreement;
- the risk of terrorist attacks, particularly in the New York City metropolitan area, may adversely affect the value of the Properties and the Trust's ability to generate cash flow. There may be a decrease in demand in metropolitan areas that are considered at risk for future terrorist attacks, and this decrease may reduce the Trust's revenues from property rentals;
- the Trust will be dependent on the New York Tri-State area market due to limited geographic diversification and its financial results may suffer as a result of a decline in economic conditions in such area.

#### UNINSURED RISKS

- Insurance coverage for the Properties will include cover for the risk of loss caused by fire and/or accident (not including terrorism), and liabilities to third parties for bodily injury and/or property damage;
- there are, however, certain types of losses that are uninsurable or not generally insured against because it is not economically feasible to insure against such losses. Examples of losses that are generally not insured against include war or acts of terrorism and natural phenomena such as an earthquake or hurricane;

- should any of the Properties suffer from an uninsured loss or a loss in excess of the insured amounts, the Trust could lose some of the capital invested in that Property, as well as the anticipated future revenue from that Property. The Trust may be adversely affected by the US LLC's continuing liability for any debt or other financial obligations related to that Property.

#### RISKS RELATED TO THE UNITS

- Movements in Australian and international stock markets and changes in economic conditions or interest rates may affect prices at which Units trade;
- changes in the stock market rating of Units relative to other listed securities, particularly other listed property trusts, may affect prices at which Units trade;
- Reckson will effectively be acquiring its shares of the US LLC at a discount to the price of a Unit in the Trust payable by a Unitholder. This is because Reckson will be acquiring such shares at the same per share price that the US REIT acquires its shares in the US LLC, which is equal to the price per Unit in the Trust payable by Unitholders, net of Issue Costs. The shares of the US LLC are convertible on a one for one basis into Units of the Trust.

#### RISKS RELATED TO THE TRUST

- The Trust's expenses may be greater than anticipated and therefore reduce the amount available for distribution;
- the assumptions used in forecasting the Trust's financial performance may not be achieved such that the forecast distributions cannot be achieved;
- the underwriting of the Final Instalment proceeds is subject to certain termination events not occurring. Should one of these occur, which causes some or all of the Final Instalment proceeds not to be received, the Trust's forecast returns may not be achieved;
- failure to close on all of the initial 25 properties due to default or failure to meet certain closing conditions or the termination of the sales or contribution agreements may result in the Trust's forecast returns not being achieved;
- in the event of a change of control of Reckson, there may be a change in the management of the Trust which may result in a determination to alter the investment policy of the Trust;
- the Trust has no employees and is dependent upon Reckson for the management and operation of the Properties and of the Trust. If Reckson is unable to perform, or does not successfully perform, its duties under the various agreements with the Trust, the Trust may be unable to meet its objectives. Furthermore, an event which has a material adverse effect on Reckson may also have an adverse effect on its ability to provide services to the Trust;
- upon certain triggering events, including, without limitation, if RAML is terminated or otherwise removed as the Responsible Entity for any reason, Reckson shall have the right to terminate the use by the Trust of various trademarks including without limitation, use of the "Reckson" name.

#### CONFLICTS OF INTEREST

- Various potential conflicts of interest between the Trust and Reckson exist or may arise in the future in a number of areas relating to Reckson's past and ongoing relationships, including potential acquisitions or dispositions of businesses or properties, the removal of the Responsible Entity, payment of dividends, incurrence of indebtedness, financial commitments, services and management arrangements, issuances of additional Trust interests, the liquidation of the business of the US LLC and the exercise by Reckson of control over the Trust's and US LLC's businesses and operations;
- even though RAML will serve as the Responsible Entity, Reckson will not be subject to any restrictions on its current or future business activities under the relevant transaction agreements. Moreover, these agreements provide that Reckson has no obligation to refer opportunities, including opportunities to acquire properties (whether new properties or existing Reckson-owned properties other than call option properties), to the Trust, owes no fiduciary duties with respect to the Trust and is free to consider its own business interests in its dealings with the Trust and the properties. In its capacity as the holder of a 25% interest in the US LLC, Reckson will also have the right to consent to key actions by the US LLC, including the issuance of new interests in the US LLC, the payment of non-ordinary course dividends, the incurrence of indebtedness and selected other key company actions, as well as amendments to the US LLC's operating agreement. Accordingly, Reckson may compete directly with the Trust in the New York Tri-State market and elsewhere, including by owning, managing, leasing, acquiring and disposing of properties and by entering into joint ventures or investments with respect thereto, and may exercise its rights and powers with respect to the Trust and the US LLC in furtherance of its own interests and to the detriment to the interests of the Trust and its Unitholders. Reckson has adopted a leasing policy mandating leasing decisions to be executed irrespective of ownership of the property;
- the Reckson personnel who will manage and operate the Trust and its properties will also generally be involved in the management and operations of Reckson's other businesses. Simultaneous service to both groups could create or appear to create potential conflicts of interests when such persons are faced with decisions that could have different implications for the

Trust and for Reckson. In addition, these persons will devote significant time and effort to managing and operating Reckson's other businesses;

- the property management and leasing, asset management, construction services and services agreements that grant Reckson the right to manage and operate the Properties, are not capable of termination absent a material default, fraud, an improper assignment, bankruptcy, an event of default under a loan agreement, or if RAML ceases to be the Responsible Entity, and limit the Trust's course of action in the event that an actual or potential conflict of interest arises;
- the US LLC will be a party to one or more Tax Protection Agreements that adversely affect the US LLC's ability, for a period of seven years after certain Properties are contributed by Reckson, to dispose of such Properties in a wholly or partly taxable transaction (see Section 9.1.15);
- Reckson will have the sole discretion to direct the US LLC with respect to its method of allocating deductions under section 704(c) of the Code which could impact the US REIT's taxable income;
- however, as the Responsible Entity of the Trust, RAML will at all times comply with its statutory obligations to act in the best interests of Unitholders and, if there is a conflict between Unitholders' interests and its own interests (or those of Reckson), RAML will give priority to Unitholders' interests.

#### **RISKS ASSOCIATED WITH INITIAL ACQUISITION OF THE PROPERTIES**

- Reckson may own less than 25% of the US LLC if Reckson is unable to convey certain properties or make appropriate substitutions for such properties;
- if Reckson is unable to convey, or the US LLC is unable to acquire, all of the Properties due to default or failure to meet certain closing conditions (including failure by either party to obtain the requisite debt financing), or the termination of the Sale Agreement or the Contribution Agreement, the US LLC will own less than the 25 properties identified in this PDS.

#### **RECKSON'S RIGHT TO FORCE THE LIQUIDATION OF THE PROPERTIES**

- Reckson will have the right to liquidate the US LLC and cause the sale of all of the properties in the event that RAML ceases to be the responsible entity for the Trust. This means, among other things, that in the event the Unitholders vote to remove RAML as the responsible entity, Reckson could force the liquidation of all of the properties at a time when it is not advantageous for the Trust to do so. The presence of this right may affect any proposal to remove Reckson as the Responsible Entity.

#### **LIMITATION ON SCOPE OF BUSINESS**

- The US LLC's operating agreement bars the Trust and the US REIT from conducting any business other than that relating to the ownership of interests in, and management of, the US LLC. As a result, the Trust must operate its business exclusively through the US LLC.

#### **REDEMPTION RIGHT IN FAVOUR OF RECKSON**

- On and after the second anniversary of this offering, Reckson and other holders of interests in the US LLC (other than the US REIT) will have the right to cause the US LLC to redeem all, or a portion, of their interests in the US LLC for cash, with the price based on the then-applicable market price per Unit. The US REIT has the option to acquire the interests that would otherwise have been redeemed in exchange for US REIT Shares, in which event the Trust must issue its Units, if requested, in exchange for such US REIT shares. In the event that the Trust issues Units, the redeeming persons could hold a significant amount of Units. In the event that the US REIT declines or is unable to exercise this option, the Trust, US REIT or US LLC must pay cash for the interests (subject to limited exceptions), which it could fund through cash on hand, additional borrowings, including intercompany borrowing, or the sale of assets or properties.

#### **DISPOSITIONS**

- In the event of a sale or other disposition of a property or other asset of the US LLC, Reckson will have a right of first refusal with respect to such sale or other disposition generally on the same terms and conditions as those offered by the third party bidder.

#### **ACQUISITIONS**

- Other than those properties stipulated in the call option agreement (see Section 9.1.12), Reckson is not obligated to provide future acquisition opportunities to the US LLC, the US REIT or the Trust.

#### CHANGES IN ACCOUNTING STANDARDS

- The Australian Accounting Standards Board (AASB) has adopted International Financial Reporting Standards (IFRS) for application to reporting periods beginning on or after 1 January 2005. The AASB will continue to issue Australian equivalents to IFRS, and the Urgent Issues Group will continue to issue abstracts corresponding to IASB interpretations originated by the International Financial Reporting Interpretations Committee or the former Standing Interpretations Committee. As the Trust was formed after 1 January 2005, it will adopt Australian equivalents to IFRS on formation. Consequently, the Trust's first financial report for the period ending 31 December 2005 will be prepared using Australian equivalents to IFRS. Changes in accounting standards by either the IASB or the Australian Accounting Standards Board may affect the reported earnings and financial position of the Trust in future financial periods;
- changes to US accounting standards may also influence the results or financial performance of the Trust.



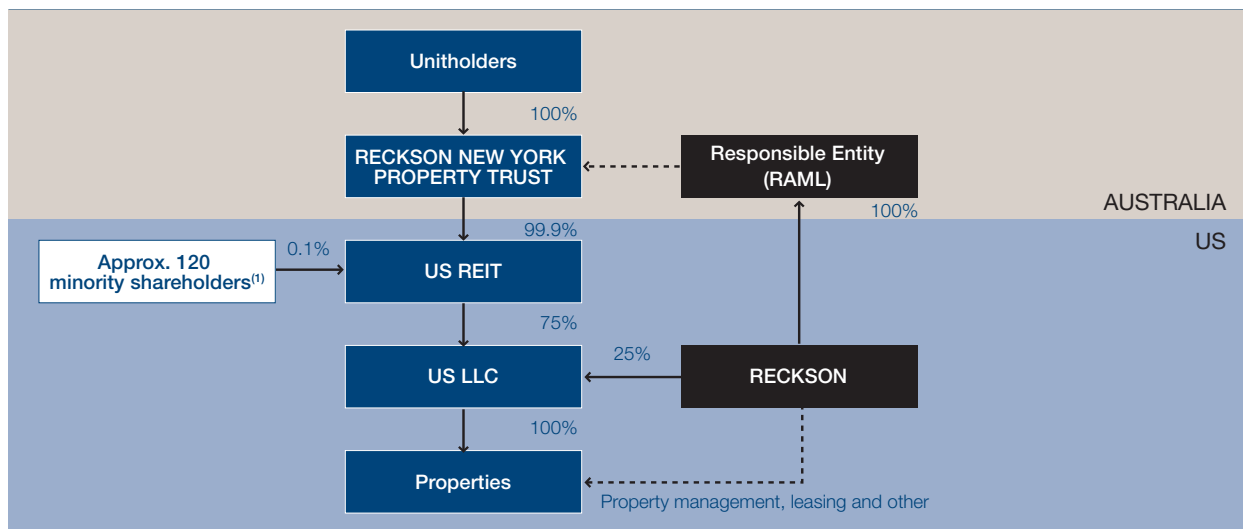
# SECTION FOUR

## OVERVIEW OF THE TRUST

## SECTION 4 OVERVIEW OF THE TRUST

### 4.1 OVERVIEW OF THE STRUCTURE

The following diagram sets out the ownership and management arrangements for the Trust and its associated entities that will apply at the date of listing.



(1) In order to comply with the US regulations relating to REITs, an additional 120 persons (approximately) will hold minority interests in the US REIT with an aggregate equity value of less than approximately 0.1%

### 4.2 OWNERSHIP STRUCTURE SUMMARY

Unitholders will own Units in the Trust. The Trust will own approximately 99.9% of the US REIT, which will in turn have a 75% interest in the US LLC, treated as a partnership for US tax purposes. The individual Properties will be wholly owned by the US LLC through a series of entities. The remaining 25% interest in the US LLC will initially be owned by Reckson.

Reckson will contribute or sell three tranches of properties to the US LLC as detailed in Section 9.1.6.

### 4.3 TRANSACTION MECHANICS

A summary of the key events that will occur after Allotment is set out below:

- Allotment is expected to occur on 21 September 2005. The proceeds of the Initial Instalment, after Issue Costs have been deducted, will be applied by the Trust to subscribe approximately US\$125.0 million for a 99.9% interest in the US REIT. The US REIT will contribute these funds to acquire 75% of the shares in the US LLC. The remaining 25% of the shares in the US LLC will be retained by Reckson. Reckson will effectively be acquiring its shares of the US LLC at a discount to the price of a Unit in the Trust payable by a Unitholder. This is because Reckson will be acquiring such shares at the same per share price that the US REIT acquires its shares in the US LLC, which is equal to the price per Unit in the Trust payable by Unitholders, net of Issue Costs. The shares of the US LLC are convertible on a one-for-one basis into Units of the Trust.

The US LLC will use these funds to settle the purchase of the Tranche 1 Properties. The acquisition of the Tranche 2 Properties, expected to be settled on 5 January 2006, will be fully debt-funded. The Final Instalment is due on 1 October 2006. The proceeds of the Final Instalment will be applied to the US REIT which will contribute these funds to the US LLC to acquire the Tranche 3 Properties. See Section 5 for more detail on the Properties.

- Following the acquisition of the Tranche 3 Properties:
  - the Trust will hold an approximate 99.9% interest in the US REIT, and the residual approximate 0.1% interest will be held by approximately 120 minority shareholders with minimal holdings to satisfy REIT requirements;
  - the US REIT will hold a 75% interest in the US LLC and Reckson will hold the remaining 25% of the US LLC; and
  - the US LLC will wholly own, directly or through controlled entities, all 25 properties that make up Tranches 1, 2 and 3.
- The various US documents, referred to in Section 9, which deal with such things as:
  - the contribution and sale of the Properties to the US LLC;
  - the property management, leasing and construction services which will be provided in respect of the Properties;
  - the asset management and services which will be provided in respect of the US REIT and US LLC;
  - the way in which the US REIT and US LLC will operate;
  - the US LLC's call option on certain properties; and
  - the tax protection agreement,

will come into effect.

## 4.4 MANAGEMENT STRUCTURE SUMMARY

### RESPONSIBLE ENTITY

Reckson Australia Management Limited (RAML) is the responsible entity of the Trust and is a related body corporate of Reckson.

RAML as responsible entity of the Trust is responsible for the protection of Unitholder interests and overall corporate governance of the Trust. The Responsible Entity will hold the assets of the Trust as trustee or through a custodian and manage the Trust in accordance with its duties to Unitholders. The Responsible Entity is also subject to numerous duties under the Corporations Act, including duties to act honestly and exercise care and diligence and act in the best interests of Unitholders.

Further details of the Constitution and the Responsible Entity's obligations are specified in Section 9.1.1.

### OVERVIEW OF RESPONSIBLE ENTITY ROLE

The Responsible Entity will be responsible for the overall activities of the Trust. The primary responsibilities of the Responsible Entity include the following:

- monitor and ensure that all conditions of the Trust scheme are met and continue to be met;
- approve the Trust Constitution and ensure ongoing disclosure requirements are met;
- approve and lodge a Compliance Plan for the Trust;
- monitor the observance of terms of the Compliance Plan by the relevant parties including custody, registration and statutory reporting;
- monitor the Constitution;
- notify ASIC of breaches of the Constitution and/or conditions of licence;
- ensure preparation and lodgement of statutory reports including financial statements and tax lodgements;
- monitor performance of the Investment Policy and Trust assets;
- review authorisation procedures in relation to all transactions in accordance with the Constitution and Investment Policy;
- provide ongoing membership of an approved complaints resolution scheme;
- at all times maintain the required financial resources and responsible entity insurances in relation to acting as responsible entity for the Trust;
- prepare portfolio strategic plans, asset plans and budgets for the Trust;
- approve and review the Investment Policy;
- investigate investment opportunities;
- approve extraordinary capital expenditure requirements;
- oversee subsequent capital raisings in Australia and overall capital strategy and management;
- manage the Financial Risk Management Policy for the Trust;
- approve limits of delegated authority;
- investor relations and communications;
- risk management;
- undertake treasury and tax management services (as they apply to the Australian entities);
- provide accounting and reporting for the Trust; and
- oversee ASX compliance.

### OVERVIEW OF ASSET AND PROPERTY MANAGEMENT

Reckson will be responsible for the overall activities of the US REIT and the US LLC (see Sections 9.1.11 and 9.1.8 for summaries of the Asset Management Agreement and Services Agreement). Reckson's primary responsibility will be to provide asset and property management services to the US REIT and the US LLC. This responsibility includes the following:

- identify, recommend and prepare investment memorandum for potential acquisitions and divestments;
- implement investment and divestment opportunities;
- monitor supply and demand fundamentals of office and commercial real estate markets in locations where there are properties in which the Trust holds an indirect interest;
- develop debt financing strategies in conjunction with the Responsible Entity for approval and arrange debt financing for the US LLC;

- monitor and recommend changes to Investment Policy for approval;
- portfolio management, including the development and implementation of portfolio strategic plans, and budgets. Such plans and budgets are to be approved on an annual basis;
- create and implement annual asset plans, including operating and capital budgets, leasing and operating plans for each property (to be prepared by Reckson consistent with its existing internal procedures) within agreed limits of delegated authority. Such plans are to be approved on an annual basis;
- oversee sub-contracted services, as appropriate;
- develop plans for and recommend extraordinary capital expenditures for approval;
- provide property-level accounting and reporting;
- provide US REIT and US LLC level accounting and reporting; and
- provide treasury and tax management services (as they apply to the US entities).

## CORPORATE GOVERNANCE

### Role of the Board of Directors

The Board of Directors of RAML will be responsible for the overall management of the Trust including the determination of its strategic direction with the continued aim of increasing Unitholder returns through the performance of the Trust.

In accordance with the Corporations Act, the duties of the Board of Directors to Unitholders take priority over the duties of the Board of Directors to RAML. Of the six Directors, two Directors, Mervyn Peacock and William Robinson, are external directors (for the purposes of the Corporations Act). The Board of Directors considers both of these external directors to be independent. It is anticipated that Phillip Meagher will resign as compliance officer soon after listing and will be replaced by a new compliance officer. Mr. Meagher will become an independent director of the Trust upon passing of such time as required by the Corporations Act.

Additionally RAML has a compliance plan that sets out arrangements and measures for the purposes of ensuring that RAML operates the Trust in accordance with its Constitution.

The role of the Board of Directors includes:

- providing strategic direction and deciding upon the Trust's business strategies and objectives;
- monitoring the operational and financial performance of the Trust;
- ensuring the Trust's financial and other reporting mechanisms result in adequate, accurate and timely information being provided to the Board of Directors;
- taking steps to ensure that Unitholders and the market are fully informed of all material developments in a timely manner;
- identifying potential risks faced by the Trust and monitoring the effectiveness of risk management systems; and
- overseeing and evaluating the performance of the executive team in executing the Trust's strategies and objectives, approving other key executive appointments, and planning for executive succession.

As part of an effective organisational structure, the Board of Directors of RAML will delegate certain of its responsibilities to an audit and risk management committee.

In order to aid them in performing their duties the individual Directors are entitled to have access to all records relating to the Trust, to the executive team and management and to seek independent professional advice, at RAML's expense.

### Audit and risk management

The Board of Directors will establish an audit and risk management committee under a charter setting out its composition, operation and responsibilities.

The committee's responsibilities will include:

- reviewing the integrity of the financial statements;
- reviewing external reporting procedures and seeking to ensure that internal systems of control, risk management policies and risk management systems provide an effective assurance of the integrity of financial statements;
- reviewing the Trust's internal financial control systems, risk management policies and risk management systems; and
- assessing the independence of the external auditor, considering any request to provide non-audit services, and making recommendations in respect of the Auditor's engagement.

The external Auditor is Ernst & Young. Under proposed audit policies, the lead engagement partner and review partner will each be required to be rotated at least every five years. Any non-audit services that are to be provided by the Auditor must be pre-approved and will be subject to disclosure in the annual report.

Additionally, a registered auditor is engaged to audit compliance with the compliance plan. The compliance plan auditor provides a report to the Board of Directors which, together with the Trust's financial statements and reports, is lodged with ASIC.

It is not presently proposed to establish a nomination or a remuneration committee. These functions will be carried out by the full Board of Directors.

**Ethical standards**

RAML is committed to ensuring that it acts responsibly and with integrity in relation to its dealings with the Trust and Unitholders. Each Director and employee is required to place the interests of Unitholders above that of RAML and to act in good faith, and with care and diligence.

Further, RAML will adopt a securities trading policy that applies to trading in the Units (and any derivative in respect of the Units) by any Director or senior employee.

Additionally, each director will provide full disclosure to the Board of interests that they have in respect of the Trust, RAML and any related entity of RAML.

**Related party transactions**

Transactions between Reckson or RAML on the one hand and the Trust, the US REIT or the US LLC and its controlled entities on the other are fully described in this PDS (refer to Section 9).

Any other future transaction not contemplated in this PDS between those persons will be on arm's length terms.

**Continuous disclosure and communicating with Unitholders and the market**

On listing, the Trust will become a disclosing entity for the purposes of the Corporations Act and must comply with the continuous disclosure regime under the Listing Rules and Corporations Act. RAML will establish internal systems and procedures to ensure that timely disclosure is made to ASX to support an informed market.

The Trust will also provide periodic reports to Unitholders, place announcements on its website, and give consideration to convening a meeting of Unitholders annually.

**Compliance committee**

A compliance committee will be established in accordance with the Corporations Act. The compliance committee has various functions under the Corporations Act, including monitoring to what extent RAML complies with its compliance plan; reporting known or suspected breaches of the Corporations Act and the Trust's Constitution to RAML and assessing whether RAML's compliance plan is adequate.

## 4.5 BIOGRAPHIES OF DIRECTORS OF RECKSON AUSTRALIA MANAGEMENT LIMITED

### BOARD OF DIRECTORS

#### **Scott Rechler (1)**

Chairman and Chief Executive Officer

Mr. Rechler has served as Chief Executive Officer and President of Reckson since December 2003 and as Chairman of the Board since November 2004. He has also served as Co-Chief Executive Officer of Reckson from May 1999 until December 2003, serves as the Chairman of the Executive Committee of the Board and has served as a director of Reckson since its formation. Mr. Rechler has been employed at Reckson since 1989.

Mr. Rechler was the architect of Reckson's successful public offering in June 1995 and has led Reckson from a Long Island based owner and developer to one of the largest office REITs in the New York Tri-State area. Mr. Rechler has overseen in excess of US\$4.0 billion in acquisitions and developments since joining Reckson. Mr. Rechler is a member of the Board of Governors of NAREIT and is actively involved with the Real Estate Roundtable, for which he serves as Co-Chair of its political action committee with Peter Lowy of Westfield Group.



#### **Michael Maturo (2)**

Chief Financial Officer

Mr. Maturo has served as Executive Vice President, Chief Financial Officer and Treasurer of Reckson since 1995. Mr. Maturo was named Chairman of Reckson's Investment Committee in May 2004. Mr. Maturo oversees Reckson's finance, accounting, treasury management, public reporting, capital markets, investor relations and strategic planning functions. Mr. Maturo also oversees Reckson's investment functions and allocation of capital.

During his tenure with Reckson, Mr. Maturo has led Reckson's efforts to obtain its investment grade rating and thereafter the issuance of US\$800 million of senior unsecured notes. In addition, Mr. Maturo has led efforts to raise over US\$2.0 billion of additional debt and equity capital during this time period. Mr. Maturo is a member of NAREIT. Mr. Maturo specialised in diverse phases of real estate finance, including corporate and property debt financings and recapitalisation transactions.

Prior to joining Reckson, Mr. Maturo was a senior manager with EY Kenneth Leventhal Real Estate Group.



#### **Jason Barnett (3)**

Executive Vice President/General Counsel

Mr. Barnett has served as Executive Vice President of Reckson since May 1999, General Counsel of Reckson since May 1997 and Secretary of Reckson since 2003. Mr. Barnett joined Reckson in 1996. Mr. Barnett is responsible for the coordination of all legal and compliance matters for Reckson. Mr. Barnett has been involved in over US\$2.5 billion of real estate transactions, including acquisitions, dispositions, joint ventures, and financings. Mr. Barnett has also been involved in approximately US\$2.0 billion of public securities offerings on behalf of Reckson.

Prior to joining Reckson, Mr. Barnett practised as an associate in the corporate REIT practice area of Sidley Austin Brown & Wood LLP.



#### **Philip Meagher (4)**

Executive Director

Mr. Meagher has over 30 years' experience in law, property trust management and professional trusteeship. From 2003 to 2005 he was a Business Development Manager, Corporate Services of the Trust Company of Australia Ltd. Prior to that he worked in various capacities within the Permanent Trustee Company including as Senior Manager of Property Custody and Accounting, as well as New South Wales Manager of Corporate Trusts. Mr. Meagher has previously served as Managing Director of Equitable Group Ltd, the wholly owned funds management subsidiary of QBE Limited and was the local Executive Director of British Land Company Holdings Australia Limited. Mr. Meagher is an admitted solicitor in the Supreme Court of New South Wales.

It is anticipated that Mr. Meagher will resign as compliance officer soon after listing and will be replaced by a new compliance officer. Mr. Meagher will become an independent director of the Trust upon passing of such time as required by the Corporations Act.



### **William Robinson (5)**

Independent Director

Mr. Robinson has over 40 years' domestic and international experience in finance, mining and property. He is currently a director of the ASX listed Unwired Australia Group as well as a director of a US mutual fund – Emerging Market Growth Funds Limited. Mr. Robinson has been a director of companies in Australia, Africa, Asia, North America and Europe, including Deutsche Asset Management and Deutsche Real Estate Ltd, Southern Mining Corporation and Diamond Trust Bank Kenya Ltd and C.I.G.A. Hotels S.P.A. Mr. Robinson is an Associate of the Bankers Institute of Australasia and Australian Society of Accountants and also a fellow of the Australian Institute of Company Directors.



### **Mervyn Peacock (6)**

Independent Director

Mr. Peacock has over 35 years' domestic and international experience in a variety of investment areas including Funds Management, Private Capital, Infrastructure and Property. Mr. Peacock has been the Chief Investment Officer and director of AMP Capital Investors for five years and recently announced his intention to retire in December 2005. Prior to that he was Investor Relations Manager of AMP Ltd. He has a high profile in the area of Corporate Governance. Mr. Peacock has previously held directorships in a number of companies including AMP Asset Management (UK) and DUET Trust and is currently a director of Equatorial Mining Ltd.



He has qualified as a Fellow of the Insurance Institute and an Associate of the Australian Society of Accountants and is an Associate of the Securities Institute.

## **4.6 SENIOR MANAGEMENT OF RECKSON AUSTRALIA MANAGEMENT LIMITED**

RAML, as an affiliate of Reckson, will have access to the resources of Reckson. In particular, Reckson will make available to RAML the following executives as and when required. RAML will also seek to employ additional support staff in Australia.

### **Scott Rechler**

Chief Executive Officer

### **Michael Maturo**

Chief Financial Officer

### **Jason Barnett**

Executive Vice President/General Counsel

### **Francis Sheehan (7)**

Fund Manager

Mr. Sheehan has served as Vice President, Legal-Corporate of Reckson since October 2004. Mr. Sheehan is responsible for many of the corporate legal responsibilities of Reckson, including Securities Exchange Commission and New York Stock Exchange compliance and many of Reckson's corporate governance matters. Mr. Sheehan works closely with Reckson's executive officers to effectuate public offerings of debt and equity securities. Prior to joining Reckson, Mr. Sheehan was General Counsel of Pinnacor Inc., a Nasdaq-listed technology company, where he was responsible for all their legal and compliance matters since 2000. Prior to that, Mr. Sheehan practised as an associate in the corporate REIT practice area at Sidley Austin Brown & Wood and was involved in numerous real estate transactions, including acquisitions, dispositions, joint ventures, initial public offerings and financings, including all of Reckson's corporate matters and transactions since 1995.



It is anticipated that soon after listing Mr. Sheehan will relocate to Australia and assume the role of Fund Manager.

## **4.7 US REIT**

All of the Trust's real estate assets will be held through the US REIT, which will seek to qualify as a REIT for US federal income tax purposes. US REIT was formed by Reckson for the purpose of this transaction.

The Trust will hold all of the common stock in US REIT. In order to comply with the REIT regulations, each of approximately 120 individuals will hold one share of preferred stock in US REIT, representing in the aggregate less than approximately 0.1% of US REIT's total equity. The preferred shares carry no material voting rights and are entitled to a market rate fixed distribution per annum from US REIT. All preferred shares will be issued and sold at a price of US\$1,000 per share.

The Responsible Entity, on behalf of the Trust as US REIT's sole common stock holder, will appoint the members of the Board of US REIT. US REIT will be operated and managed from the US by US based directors.

All stockholder voting power in US REIT (including, but not limited to, the power to elect directors) is vested exclusively in the Trust as holder of 100% of the common stock issued by US REIT. As a general matter, the Board of Directors has the exclusive power and authority to conduct and manage the business of US REIT, and is entitled to make all decisions on behalf of US REIT without the need for any consent or approval by the stockholders.

A more detailed summary of US REIT'S Articles of Amendment and Restatement appears in Section 9.1.9.

#### **4.8 US LLC**

All of the Properties in which the Trust will, upon completion of the offering, own an indirect interest will be owned by the US LLC and its subsidiaries.

The US REIT will be the managing member of the US LLC and will be delegated the day to day responsibility for managing the US LLC. However, the approval of a majority in interest of the non-managing members (i.e. Reckson) is required with respect to certain significant "Major Decisions", including:

- merger or consolidation involving the US LLC or any of its subsidiaries with any other entity;
- amendments to the US LLC Agreement or Certificate of Formation;
- entering into any agreement to which the US LLC and the managing member (or their affiliates) are parties;
- liquidation or dissolution of the US LLC and all or substantially all of its subsidiaries;
- disposition of all or substantially all of the assets by the US LLC and any of its subsidiaries;
- the incurrence of any indebtedness in excess of 55% debt to total assets (include financing or refinancing) or the creation of any material lien, security interest, encumbrance on any material asset of the US LLC and any of its subsidiaries;
- recapitalisation, reclassification, combination, split or the issuance of any equity interest (except in connection with the contribution of a property or issuance of additional Units of the Trust) in the US LLC or similar transactions;
- any expansion of the scope of the business or activities of the US LLC;
- the making of certain distributions pursuant, except in the ordinary course of business;
- any action that would jeopardise the qualification of Reckson as a real estate investment trust; and
- approval of the annual budget.

Reckson will control the vote of the non-managing members so long as it maintains ownership of a majority of the non-managing member interests.

A more detailed summary of US LLC's Limited Liability Company Agreement appears in Section 9.1.10.

#### **4.9 PRE-EMPTIVE RIGHTS**

Reckson has the following significant rights with respect to its up to 25% interest in the US LLC:

##### **RIGHT TO COMPEL LIQUIDATION OF THE US LLC**

In the event of an RE Trigger Event, Reckson may, at its option, cause the liquidation of the US LLC. The "RE Trigger Event" is where an affiliate of Reckson is terminated or otherwise removed as the Responsible Entity.

##### **RIGHT OF FIRST REFUSAL**

If, in connection with the sale of any asset, or the exercise of Reckson's right to liquidate the US LLC, the independent third party broker chosen by the managing member receives a bona fide offer from a third party to purchase all or any portion of the US LLC's assets or any interest therein, such third party broker will deliver to Reckson a copy of such offer (and if there is more than one offer for a specific asset, the offer that such third party broker desires to accept and which maximises the proceeds of the sale). Reckson will have the right, within 30 business days thereafter, to elect to purchase such asset on the same material terms as those set forth in such offer.

If Reckson does not exercise its right of first refusal, the US LLC will be permitted to sell such asset to any person upon terms and conditions no more favourable to the buyer than those set forth in the offer for the succeeding six month period. If a sale is not consummated within the six month period, the managing member will again grant Reckson a right of first refusal with respect to the asset.



# **SECTION FIVE** PROPERTY PORTFOLIO OVERVIEW

## SECTION 5 PROPERTY PORTFOLIO OVERVIEW

### 5.1 PORTFOLIO DETAILS

A summary of the Properties in which the Trust will acquire a 75% indirect interest is set out in the following table.

Address	Market	Purchase Date	Completed/Refurbished	GLA (sq ft)	NLA (sq ft)	Independent Appraisal (US\$ million) <sup>(1)</sup>
<b>Tranche 1 properties</b>						
225 High Ridge Road	Fairfield County	Sept '05	1990	227,918	227,248	76.5
660 White Plains Road	Westchester County	Sept '05	1983	275,675	256,652	53.6
150 Motor Parkway	Long Island	Sept '05	1984	182,442	178,136	36.6
55 Charles Lindbergh Boulevard	Long Island	Sept '05	1981	214,582	214,581	31.8
492 River Road	Northern New Jersey	Sept '05	2000	130,009	130,009	29.7
560 White Plains Road	Westchester County	Sept '05	1980	127,060	124,136	20.2
35 Pinelawn Road	Long Island	Sept '05	1980	114,190	108,756	19.4
555 White Plains Road	Westchester County	Sept '05	1972	124,679	121,894	18.9
200 Executive Drive	Northern New Jersey	Sept '05	1984	109,183	105,649	16.7
100 Executive Drive	Northern New Jersey	Sept '05	1984	94,035	93,665	15.2
80 Grasslands Road	Westchester County	Sept '05	1989	87,613	87,114	14.6
200 Broadhollow Road	Long Island	Sept '05	1981	70,110	68,760	12.5
10 Rooney Circle	Northern New Jersey	Sept '05	1971	70,716	70,716	12.0
300 Motor Parkway	Long Island	Sept '05	1979	54,334	54,234	8.6
100 Grasslands Road	Westchester County	Sept '05	2001	67,454	47,720	8.2
88 Duryea Road	Long Island	Sept '05	1980	26,367	23,878	4.2
505 White Plains Road	Westchester County	Sept '05	1974	26,331	26,330	4.0
<b>Tranche 2 properties</b>						
6800 Jericho Turnpike	Long Island	Jan '06	1977	207,583	206,403	33.8
580 White Plains Road	Westchester County	Jan '06	1997	172,226	172,223	28.9
6900 Jericho Turnpike	Long Island	Jan '06	1982	100,989	95,227	15.7
<b>Tranche 3 properties</b>						
710 Bridgeport Avenue <sup>(3)</sup>	Fairfield County	Oct '06	1979	452,414	452,414	42.7
50 Marcus Drive	Long Island	Oct '06	2001	163,763	163,762	40.0
300 Executive Drive	Northern New Jersey	Oct '06	1984	128,507	124,777	18.7
520 Broadhollow Road	Long Island	Oct '06	1978	85,835	85,784	17.4
1660 Walt Whitman Road	Long Island	Oct '06	1980	77,151	77,109	17.0
<b>Total/Average<sup>(4)</sup></b>				<b>3,391,166</b>	<b>3,317,177</b>	<b>596.9</b>

(1) 100% basis. Purchase prices are rounded

(2) Weighted by income

(3) Property includes both office and other flex uses including research and development

(4) Totals may vary due to rounding

Purchase Price (US\$ million) <sup>(1)</sup>	% of Portfolio by Purchase Price (%)	GLA Occupancy (%)	NLA Occupancy (%)	CY06 Yield (%)	Gross Passing Rent (US\$/sq ft)	Market Rent (US\$/sq ft)	Weighted <sup>(2)</sup> Average Lease Term to Expiry (years)
76.5	13.6	100.0	100.0	8.2	37.63	32.90	4.9
50.3	8.9	91.4	91.3	8.0	24.71	25.30	3.4
34.2	6.1	95.4	95.9	7.1	25.22	23.59	3.2
29.6	5.3	100.0	100.0	7.0	13.44	20.00	3.4
28.4	5.0	100.0	100.0	8.0	16.75	17.00	5.8
19.4	3.4	88.3	88.1	7.8	25.51	24.00	3.9
18.9	3.4	98.5	98.4	8.3	22.95	23.00	3.4
17.7	3.2	85.2	84.8	6.9	21.60	22.79	3.5
16.0	2.8	93.4	94.9	7.8	21.59	22.00	5.5
14.5	2.6	85.7	85.6	8.4	20.57	22.00	6.8
14.2	2.5	100.0	100.0	8.1	21.28	22.19	7.2
11.8	2.1	93.8	93.7	8.0	26.03	25.00	3.8
11.1	2.0	78.9	78.9	9.8	25.11	23.00	5.6
8.1	1.4	97.5	97.5	8.0	19.48	19.49	4.2
8.0	1.3	100.0	100.0	8.1	14.38	19.00	8.5
4.0	0.7	100.0	100.0	7.7	22.36	22.00	2.0
3.8	0.7	92.6	92.6	7.7	23.72	23.50	2.6
30.9	5.5	99.2	99.2	7.8	23.09	23.77	4.4
26.4	4.7	68.2	68.2	7.4	23.42	24.00	2.8
14.4	2.6	99.6	99.5	7.5	23.79	22.62	4.8
39.4	7.0	71.7	71.7	9.3	8.66	8.49	5.5
37.1	6.6	100.0	100.0	8.2	24.77	25.50	8.5
17.2	3.1	94.1	94.0	6.6	21.67	22.00	2.2
16.0	2.8	81.4	81.4	8.4	22.13	24.00	3.5
15.0	2.7	87.1	87.1	8.1	23.73	24.00	4.3
<b>563.2</b>	<b>100.0</b>	<b>90.5</b>	<b>90.2</b>	<b>7.95</b>	<b>21.33</b>	<b>21.60</b>	<b>4.4</b>

## 5.2 PORTFOLIO DETAILS BY TENANT

The table below provides details of the top 25 tenants by income.

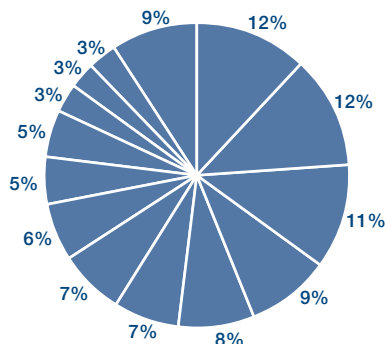
Tenant Name	Property	Industry
Arrow Electronics Inc.	50 Marcus Drive	Defence/Electronics
Clariol Corp.	225 High Ridge Road	Other Professional Services
Lockheed Martin Corporation	55 Charles Lindbergh Boulevard	Defence/Electronics
Perkin Elmer Inc.	710 Bridgeport Avenue	Technology
Radianz U.S.	492 River Road	Telecom
Amscan Inc.	80 Grasslands Road	Consumer Products
Bayer Healthcare LLC	555 White Plains Road	Pharmaceuticals
American Home Mortgage Corp.	520 Broadhollow Road	Financial Services
Philip Morris Mgmt. Co.	225 High Ridge Road	Consumer Products
US Trust Company NA	225 High Ridge Road	Manufacturing
Ampacet Corporation	660 White Plains Road	Manufacturing
Patient Care Inc.	100 Executive Drive	Healthcare
Lincoln Educational Svcs. Corp.	200 Executive Drive	Other Professional Services
Verizon Directory Svcs. Inc.	200 Executive Drive	Telecom
Oracle USA Inc.	560 White Plains Road	Technology
DHS FAMS-FAA W.J. Hughes Tech	10 Rooney Circle	Governmental
HQ Global Workplaces Inc.	6800 Jericho Turnpike	Real Estate
Herbert L Jamison & Co.	100 Executive Drive	Insurance
AC Nielsen	6800 Jericho Turnpike	Consulting/Research
Quaker Sales and Distribution	660 White Plains Road	Consumer Products
Twin Laboratories Inc.	150 Motor Parkway	Consumer Products
Xerox Corporation	580 White Plains Road	Consumer Products
AIG Domestic Claims Inc.	660 White Plains Road	Insurance
Hoffmann & Baron LLP	6900 Jericho Turnpike	Legal Services
AT&T GRE	300 Executive Drive	Telecom
<b>Top 25 Total</b>		

## ASSET AND TENANT DIVERSIFICATION

The following charts highlight the tenant industry diversification (for all tenants) and lease expiry profile of the Properties.

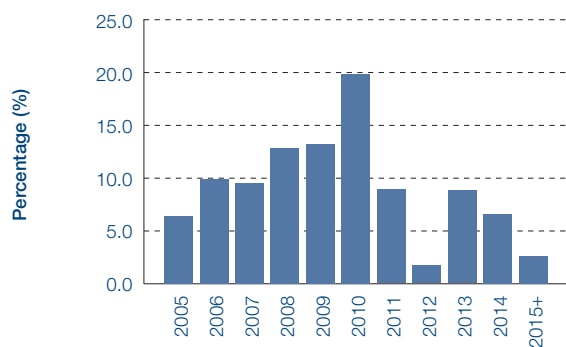
### TENANT INDUSTRY DIVERSIFICATION

Defence/Electronics 12%  
 Technology 12%  
 Consumer Products 11%  
 Financial Services 9%  
 Other Professional Services 8%  
 Telecom 7%  
 Manufacturing 7%  
 Insurance 6%  
 Healthcare 5%  
 Legal Services 5%  
 Governmental 3%  
 Consulting/Research 3%  
 Real Estate 3%  
 Other 9%



	% of Total GLA	% of Total Rent	Lease Expiry Date	Remaining Term (years)
	4.83%	6.30%	Dec-13	8.5
	3.45%	4.95%	Apr-10	4.8
	3.64%	3.86%	Sep-08	3.2
	7.25%	3.79%	Jul-10	5.0
	3.83%	3.38%	May-11	5.8
	3.54%	3.31%	Dec-14	9.5
	2.10%	2.22%	Mar-07	1.7
	1.68%	1.92%	Jan-09	3.6
	1.24%	1.77%	Sep-10	5.2
	1.17%	1.66%	Jan-11	5.6
	1.24%	1.51%	Mar-10	4.7
	1.21%	1.41%	Aug-12	7.1
	1.23%	1.25%	Jul-15	10.1
	1.06%	1.24%	Jun-08	3.0
	0.87%	1.23%	Jul-07	2.0
	0.87%	1.23%	Nov-13	8.4
	1.04%	1.22%	Jun-08	3.0
	0.93%	1.12%	May-14	8.9
	1.05%	1.10%	Mar-15	9.7
	0.72%	1.08%	Mar-09	3.7
	0.75%	1.05%	Aug-09	4.1
	0.72%	0.94%	Jun-11	6.0
	0.71%	0.94%	Jul-06	1.0
	0.64%	0.91%	Jul-10	5.1
	0.67%	0.85%	Dec-07	2.5
	<b>46.43%</b>	<b>50.26%</b>		

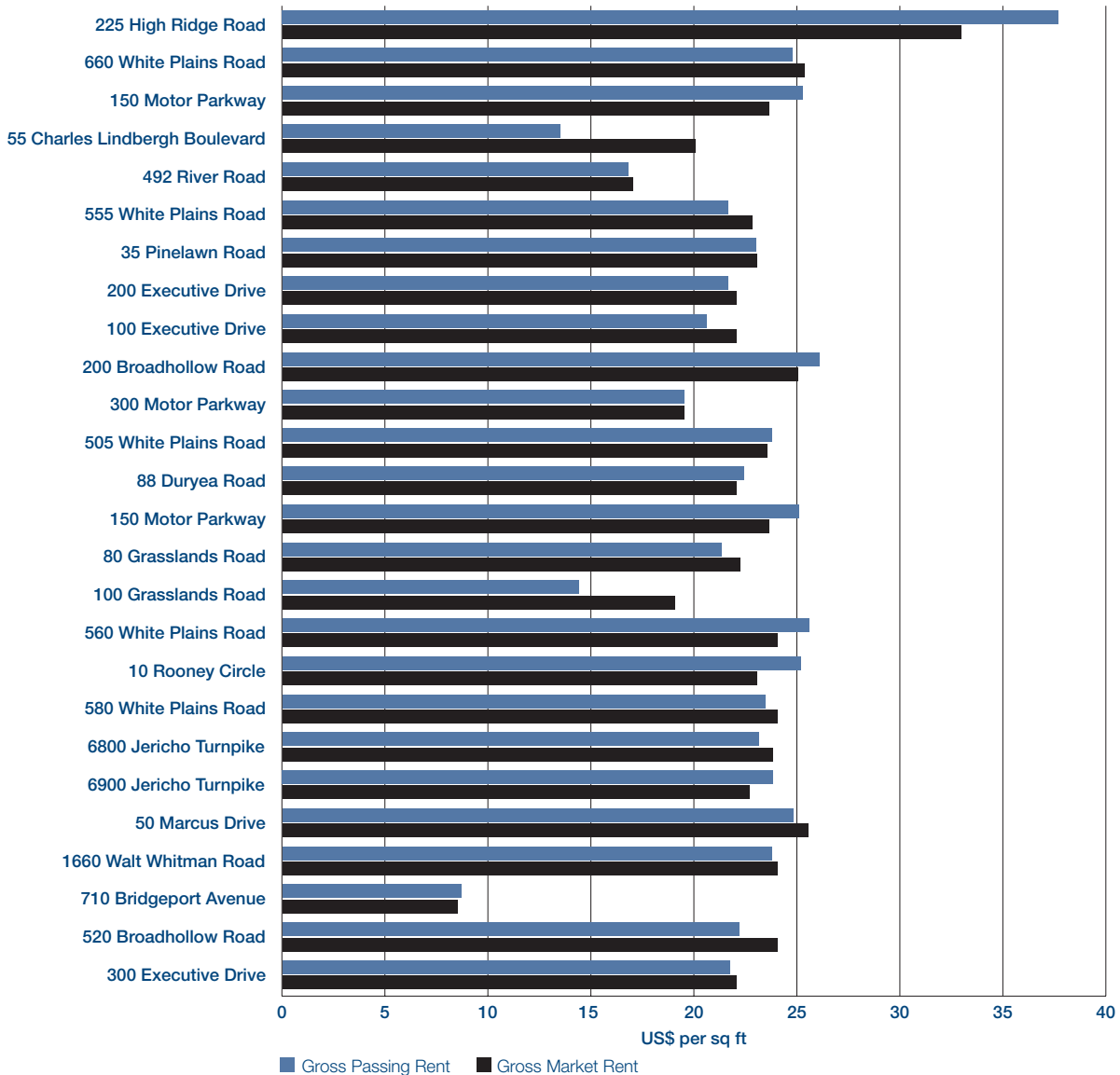
LEASE EXPIRY PROFILE (BY INCOME)



## RENTAL LEVELS

The table below indicates the amount by which the weighted average gross passing rentals in each Property differs from the corresponding market rents.

### PORTFOLIO PASSING RENT VS APPRAISER ASSESSED MARKET RENT

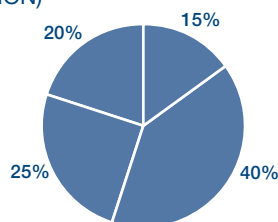


## GEOGRAPHIC MARKET DIVERSIFICATION

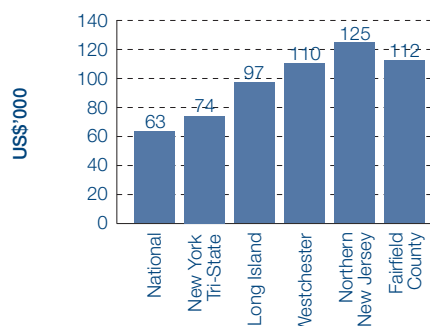
The following chart highlights the New York Tri-State area geographic diversification of the Properties.

### NEW YORK TRI-STATE AREA DIVERSIFICATION (BY APPRAISED VALUATION)

Northern New Jersey 15%  
 Long Island 40%  
 Westchester 25%  
 Fairfield County 20%



### 2004 HOUSEHOLD INCOME

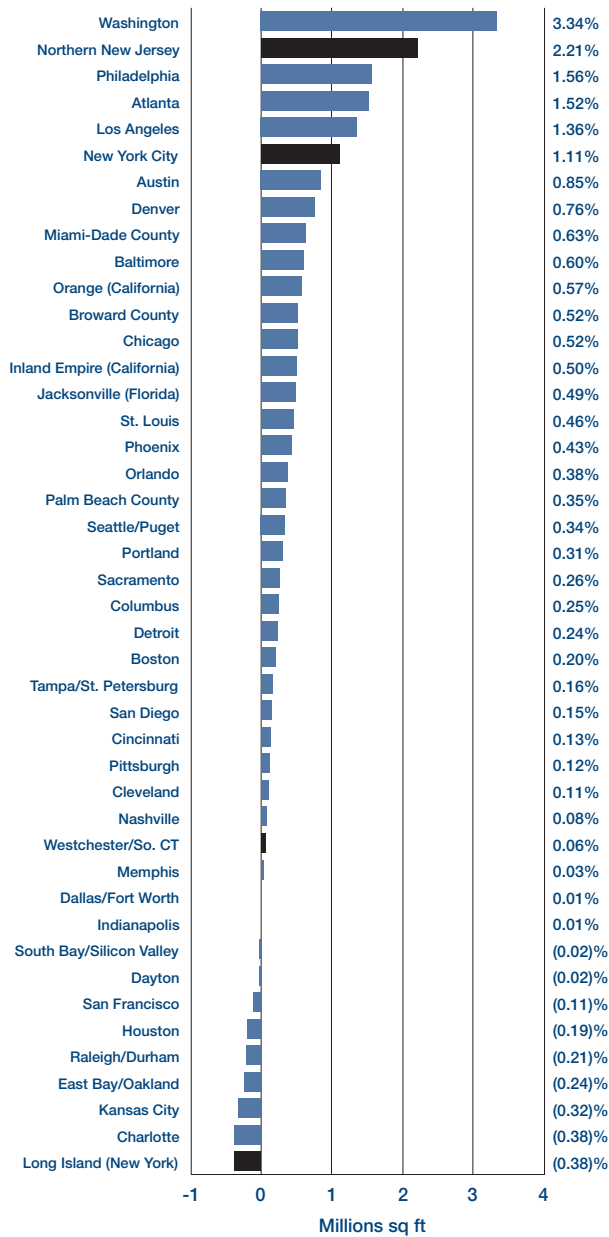


### 5.3 NEW YORK TRI-STATE OFFICE MARKET OVERVIEW

The New York Tri-State office market comprises five key sub-markets – New York City, Westchester County (New York), Fairfield County (Connecticut), Long Island and Northern New Jersey. While the Trust’s initial investment includes properties in each of these key sub-markets excluding New York City, investments in New York City are consistent with the Trust’s investment policy and will be considered where appropriate.

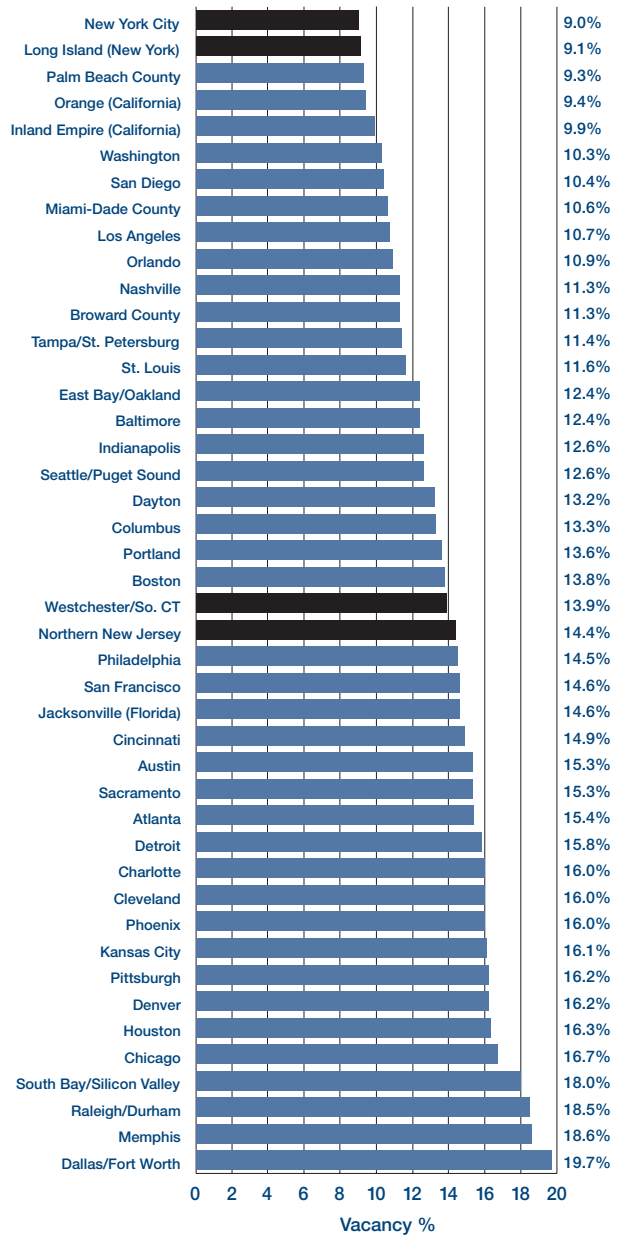
With a total population of 31.4 million and total office market GLA of over 560 million sq ft, the New York Tri-State office market offers compelling real estate market dynamics and demographics, including lower than national average vacancy rates, higher than national average net absorption rates, increasing market rents and higher than national average household income.

NET ABSORPTION RATES<sup>(1)</sup>



(1) As at 31 March 2005

OFFICE VACANCY RATES<sup>(1)</sup>



(1) As at 31 March 2005

# LONG ISLAND MARKET OVERVIEW

With a population of 2.8 million and total office market GLA of 29 million sq ft, Long Island is the 17th largest office market in the United States and is home to the global headquarters of Computer Associates, Arrow Electronics, Symbol Technologies and Cablevision. The Long Island office market has demonstrated strong market fundamentals driven by steady leasing demand over the last two years. Vacancy levels in Long Island have steadily declined since 2003 and this trend is expected to continue. Average gross market rental rates are expected to show growth in future years driven by a recovery in demand for office space.

## LONG ISLAND

### 1. Hauppauge

150 Motor Parkway  
300 Motor Parkway

### 2. Melville

35 Pinelawn Road  
200 Broadhollow Road  
225 Broadhollow Road\*  
520 Broadhollow Road  
1660 Walt Whitman Road  
50 Marcus Drive  
88 Duryea Road

### 3. Syosset, NY

6800 Jericho Turnpike  
6900 Jericho Turnpike

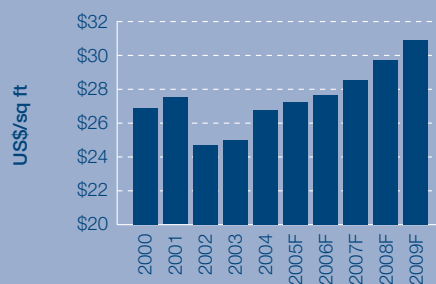
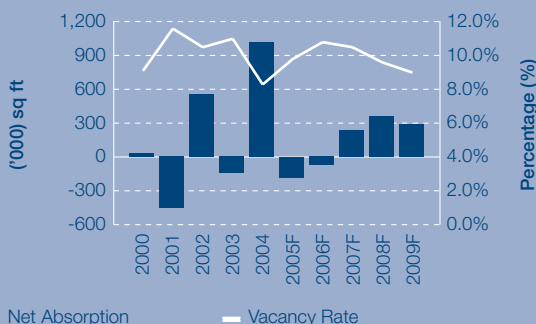
### 4. Uniondale

50 Charles Lindbergh  
Boulevard\*  
51 Charles Lindbergh  
Boulevard\*  
55 Charles Lindbergh  
Boulevard

\* Denotes option properties

## NET ABSORPTION AND VACANCY

## AVERAGE GROSS MARKET RENTAL RATES



# 50 MARCUS DRIVE LONG ISLAND

## PROPERTY OVERVIEW

50 Marcus Drive, Long Island is a 163,763 sq ft GLA, two storey office building completed/refurbished in 2001. The site area is 12.9 acres and includes 1,040 parking spaces. It is located within easy access of the Long Island Expressway. It is 100% leased to Arrow Electronics with a remaining lease term of 8.5 years.



## KEY PROPERTY STATISTICS

### ACQUISITION SUMMARY

Trust's indirect interest in US LLC	75.0%
Purchase Price (US\$ million)*	37.1
CY06 Yield	8.2%

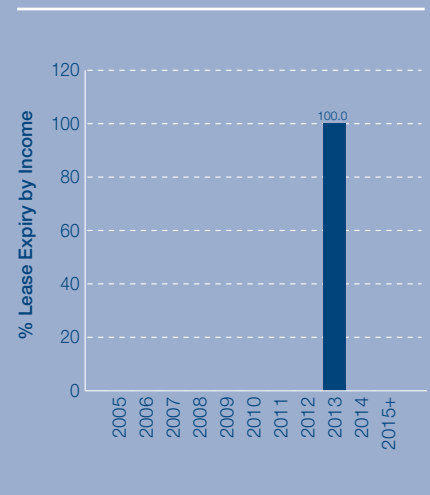
### INDEPENDENT VALUATION SUMMARY

Independent Valuer	CBRE
Valuation (US\$ million)	40.0
Direct Capitalisation Rate	7.5%
Terminal Yield	8.5%
Discount Rate	9.0%

\* 100% basis

### PROPERTY STATISTICS

Market	Long Island
Year Completed/Refurbished	2001
Land Area (acres)	12.9
Gross Lettable Area (sq ft)	163,763
Gross passing rent (US\$ per sq ft)	24.77
Market rent (US\$ per sq ft)	25.50
Occupancy (based on GLA)	100.0%
Gross weighted average lease term to expiry (by income)	8.5



## MAJOR TENANTS SUMMARY

Tenant	Industry	Gross leased area (sq ft)	% of gross total rent	Lease expiry date	Remaining term (years)
Arrow Electronics	Defence/Electronics	163,762	100.0%	December 2013	8.5
Onsite Access	Telecom	1	0.0%	December 2005	0.5
Other/vacancy	Other tenant/vacancy – 0				
<b>Total/average</b>		<b>163,763</b>	<b>100.0%</b>		<b>8.5</b>

# 150 MOTOR PARKWAY LONG ISLAND

## PROPERTY OVERVIEW

150 Motor Parkway, Long Island is a 182,442 sq ft GLA, four storey office building completed/refurbished in 1984 and features a two storey lobby of granite and glass. The site area is 11.3 acres and includes 1,040 parking spaces. It is located within easy access of the Long Island Expressway. Major tenants include Twin Laboratories Inc., Curative Health Services Inc., New York State United Teacher Inc., and State of New York Grievance. Occupancy is 95.4% and weighted average lease term to expiry (by income) is 3.2 years.



## KEY PROPERTY STATISTICS

### ACQUISITION SUMMARY

Trust's indirect interest in US LLC	75.0%
Purchase Price (US\$ million)*	34.2
CY06 Yield	7.1%

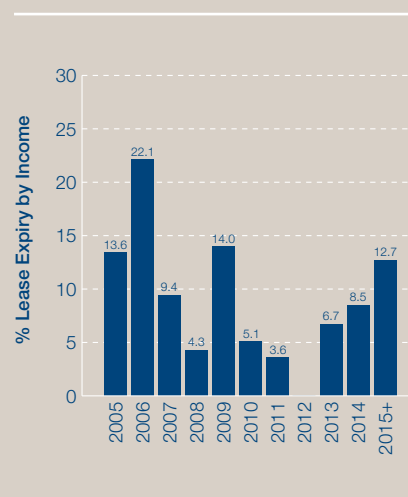
### INDEPENDENT VALUATION SUMMARY

Name of Appraiser	CBRE
Valuation (US\$ million)	36.6
Direct Capitalisation Rate	8.0%
Terminal Yield	8.5%
Discount Rate	9.5%

\* 100% basis

### PROPERTY STATISTICS

Market	Long Island
Year Completed/Refurbished	1984
Land Area (acres)	11.3
Gross Lettable Area (sq ft)	182,442
Gross passing rent (US\$ per sq ft)	25.22
Market rent (US\$ per sq ft)	23.59
Occupancy (based on GLA)	95.4%
Gross weighted average lease term to expiry (by income)	3.2



## MAJOR TENANTS SUMMARY

Tenant	Industry	Gross leased area (sq ft)	% of gross total rent	Lease expiry date	Remaining term (years)
Twin Laboratories	Consumer Products	21,636	13.5%	May 2010	4.9
Curative Health Services Inc.	Healthcare	19,530	11.3%	September 2005	0.2
New York State United Teacher	Governmental	14,066	8.7%	September 2013	8.2
State of New York Grievance	Governmental	9,809	5.1%	August 2009	4.1
Other/vacancy	Other tenants/vacancy – 36	117,401	61.5%		
<b>Total/average</b>		<b>182,442</b>	<b>100.0%</b>		<b>3.2</b>

# 6800 JERICHO TURNPIKE LONG ISLAND

## PROPERTY OVERVIEW

6800 Jericho Turnpike, Long Island is a 207,583 sq ft GLA, two storey office building completed/refurbished in 1977 and features a newly renovated lobby and a new 4-star restaurant and café. The site area is 13.0 acres and includes 970 parking spaces. It is located between Route 135 and Routes 106 and 107. Major tenants include AC Nielsen, Stewart Greenblatt, CBIZ Accounting Tax and Advisory and HQ Global Workplaces. Occupancy is 99.2% and weighted average lease term to expiry (by income) is 4.4 years.



## KEY PROPERTY STATISTICS

### ACQUISITION SUMMARY

Trust's indirect interest in US LLC	75.0%
Purchase Price (US\$ million)*	30.9
CY06 Yield	7.8%

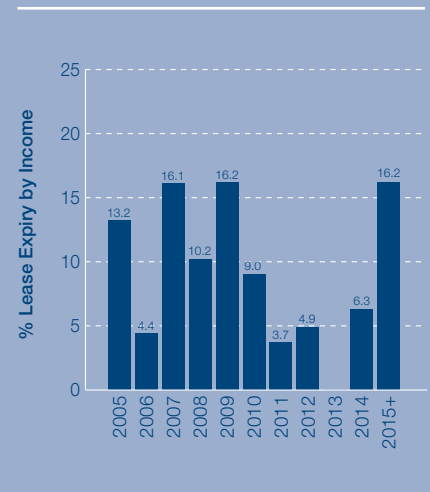
### INDEPENDENT VALUATION SUMMARY

Appraised Valuer	CBRE
Valuation (US\$ million)	33.8
Direct Capitalisation Rate	7.0%
Terminal Yield	7.5%
Discount Rate	8.5%

\* 100% basis

### PROPERTY STATISTICS

Market	Long Island
Year Completed/Refurbished	1977
Land Area (acres)	13.0
Gross Lettable Area (sq ft)	207,583
Gross passing rent (US\$ per sq ft)	23.09
Market rent (US\$ per sq ft)	23.77
Occupancy (based on GLA)	99.2%
Gross weighted average lease term to expiry (by income)	4.4



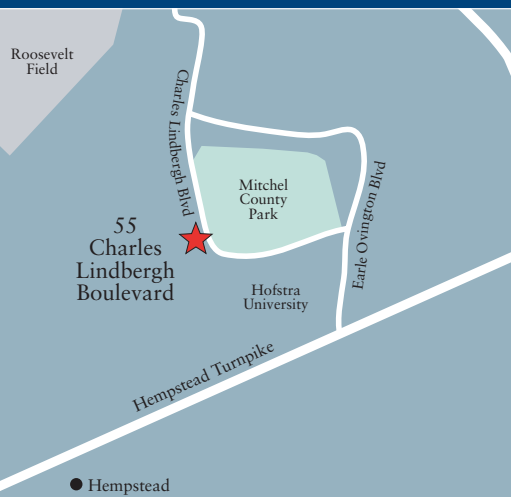
## MAJOR TENANTS SUMMARY

Tenant	Industry	Gross leased area (sq ft)	% of gross total rent	Lease expiry date	Remaining term (years)
AC Nielsen C/O VNU Inc.	Consulting/Research	34,276	14.6%	March 2015	9.7
Stewart Greenblatt	Legal Services	15,411	8.3%	November 2007	2.4
CBIZ Acctg. Tax & Advisory	Financial Services	14,228	8.1%	March 2009	3.7
HQ Global Workplaces	Real Estate	11,780	5.4%	June 2008	3.0
Other/vacancy	Other tenants/vacancy – 48	131,888	63.6%		
<b>Total/average</b>		<b>207,583</b>	<b>100.0%</b>		<b>4.4</b>

# 55 CHARLES LINDBERGH BOULEVARD LONG ISLAND

## PROPERTY OVERVIEW

55 Charles Lindbergh Boulevard, Long Island is a 214,582 sq ft GLA, two storey office building completed/refurbished in 1981 and features a café. The site area is 10.0 acres and includes 672 parking spaces. It is located within easy access of the Long Island Expressway and Northern State Parkway. Major tenants include Lockheed Martin Corporation and Frequency Electronics. Occupancy is 100.0% and weighted average lease term to expiry (by income) is 3.4 years.



## KEY PROPERTY STATISTICS

### ACQUISITION SUMMARY

Trust's indirect interest in US LLC	75.0%
Purchase Price (US\$ million)*	29.6
CY06 Yield	7.0%

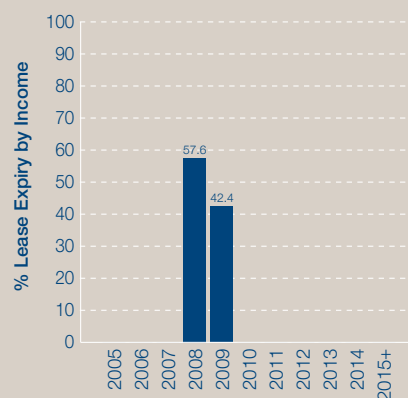
### INDEPENDENT APPRAISAL SUMMARY

Name of Appraiser	CBRE
Appraised Valuation (US\$ million)	31.8
Direct Capitalisation Rate	9.0%
Terminal Yield	8.5%
Discount Rate	9.5%

\* 100% basis

### PROPERTY STATISTICS

Market	Long Island
Year Completed/Refurbished	1981
Land Area (acres)	10.0
Gross Lettable Area (sq ft)	214,582
Gross passing rent (US\$ per sq ft)	13.44
Market rent (US\$ per sq ft)	20.00
Occupancy (based on GLA)	100.0%
Gross weighted average lease term to expiry (by income)	3.4



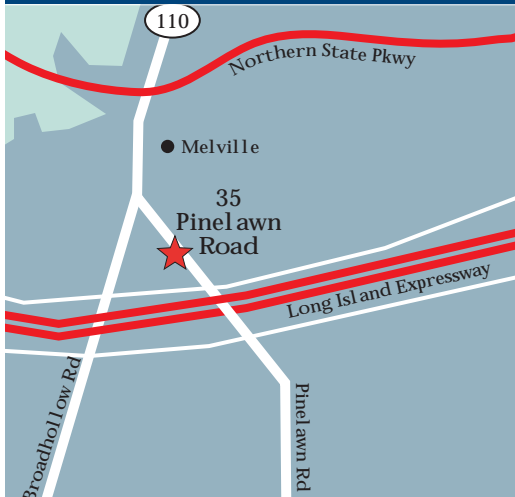
## MAJOR TENANTS SUMMARY

Tenant	Industry	Gross leased area (sq ft)	% of gross total rent	Lease expiry date	Remaining term (years)
Lockheed Martin Corporation	Defence/Electronics	123,554	86.1%	September 2008	3.2
Frequency Electronics	Defence/Electronics	91,027	13.9%	December 2009	4.5
Frequency Electronics	Defence/Electronics	1	0.0%	December 2009	4.5
Other/vacancy	Other tenants/vacancy – 0				
<b>Total/average</b>		<b>214,582</b>	<b>100.0%</b>		<b>3.4</b>

# 35 PINELAWN ROAD LONG ISLAND

## PROPERTY OVERVIEW

35 Pinelawn Road, Long Island is a 114,190 sq ft GLA, two storey office building completed/refurbished in 1980 and features a café. The site area is 6.0 acres and includes 461 parking spaces. It is located within easy access of the Long Island Expressway. Major tenants include North Shore Regional Health, Access Info Technologies, GSA #22604 and Scott Cooper Associates. Occupancy is 98.5% and weighted average lease term to expiry (by income) is 3.4 years.



## KEY PROPERTY STATISTICS

### ACQUISITION SUMMARY

Trust's indirect interest in US LLC	75.0%
Purchase Price (US\$ million)*	18.9
CY06 Yield	8.3%

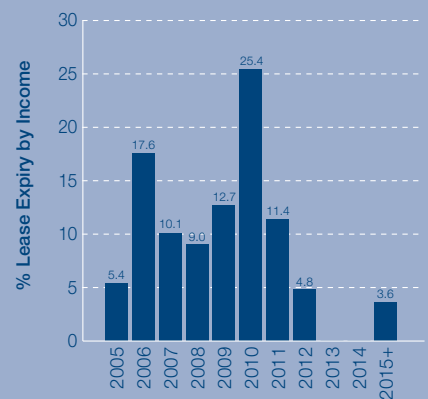
### INDEPENDENT APPRAISAL SUMMARY

Name of Appraiser	CBRE
Appraised Valuation (US\$ million)	19.4
Direct Capitalisation Rate	7.5%
Terminal Yield	8.0%
Discount Rate	8.5%

\* 100% basis

### PROPERTY STATISTICS

Market	Long Island
Year Completed/Refurbished	1980
Land Area (acres)	6.0
Gross Lettable Area (sq ft)	114,190
Gross passing rent (US\$ per sq ft)	22.95
Market rent (US\$ per sq ft)	23.00
Occupancy (based on GLA)	98.5%
Gross weighted average lease term to expiry (by income)	3.4



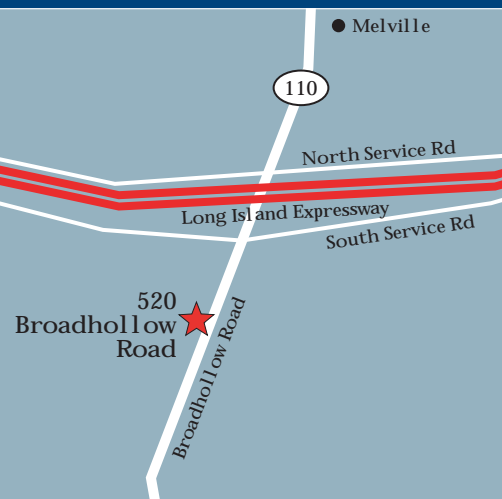
## MAJOR TENANTS SUMMARY

Tenant	Industry	Gross leased area (sq ft)	% of gross total rent	Lease expiry date	Remaining term (years)
North Shore Reg. Health	Healthcare	15,917	13.9%	March 2010	4.7
Access Info Technologies	Technology	5,591	5.1%	November 2009	4.4
GSA #22604	Governmental	4,626	5.1%	November 2005	0.3
Scott Cooper Associates	Advertising	4,423	4.2%	February 2006	0.6
Other/vacancy	Other tenants/vacancy – 51	83,633	71.7%		
<b>Total/average</b>		<b>114,190</b>	<b>100.0%</b>		<b>3.4</b>

# 520 BROADHOLLOW ROAD LONG ISLAND

## PROPERTY OVERVIEW

520 Broadhollow Road, Long Island is an 85,835 sq ft GLA, single storey office building completed/refurbished in 1978. The site area is 7 acres and includes 353 parking spaces. It is located within easy access of the Long Island Expressway. Major tenants include American Home Mortgage and Environmental Resources Management. Occupancy is 81.4% and weighted average lease term to expiry (by income) is 3.5 years.



## KEY PROPERTY STATISTICS

### ACQUISITION SUMMARY

Trust's indirect interest in US LLC	75.0%
Purchase Price (US\$ million)*	16.0
CY06 Yield	8.4%

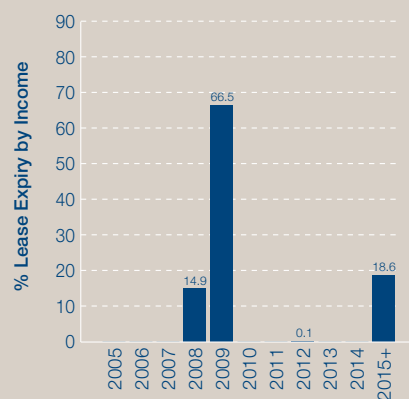
### INDEPENDENT VALUATION SUMMARY

Independent Valuer	CBRE
Valuation (US\$ million)	17.4
Direct Capitalisation Rate	7.5%
Terminal Yield	8.0%
Discount Rate	8.5%

\* 100% basis

### PROPERTY STATISTICS

Market	Long Island
Year Completed/Refurbished	1978
Land Area (acres)	7.0
Gross Lettable Area (sq ft)	85,835
Gross passing rent (US\$ per sq ft)	22.13
Market rent (US\$ per sq ft)	24.00
Occupancy (based on GLA)	81.4%
Gross weighted average lease term to expiry (by income)	3.5



## MAJOR TENANTS SUMMARY

Tenant	Industry	Gross leased area (sq ft)	% of gross total rent	Lease expiry date	Remaining term (years)
American Home Mortgage	Financial Services	57,063	79.8%	January 2009	3.6
Environmental Resources Management	Consulting/Research	12,798	20.2%	October 2008	3.3
Open Access Inc.	Telecom	51	0.0%	November 2012	7.3
Other/vacancy	Other tenant/vacancy – 1	15,923			
<b>Total/average</b>		<b>85,835</b>	<b>100.0%</b>		<b>3.5</b>

# 1660 WALT WHITMAN ROAD LONG ISLAND

## PROPERTY OVERVIEW

1660 Walt Whitman Road, Long Island is a 77,151 sq ft GLA, single storey office building completed/refurbished in 1980. The site area is 6.5 acres and includes 304 parking spaces. It is located within easy access of the Long Island Expressway. Major tenants include Vacation Station, Eckerd Corp., Ayaya Inc. and Cyber Financial. Occupancy is 87.1% and weighted average lease term to expiry (by income) is 4.3 years.



## KEY PROPERTY STATISTICS

### ACQUISITION SUMMARY

Trust's indirect interest in US LLC	75.0%
Purchase Price (US\$ million)*	15.0
CY06 Yield	8.1%

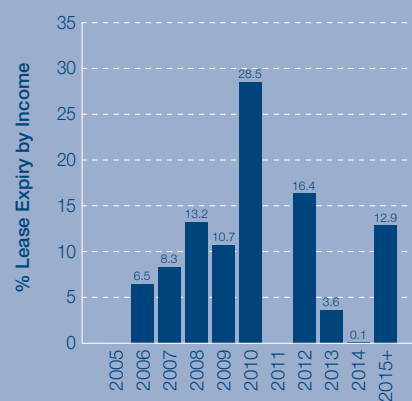
### INDEPENDENT VALUATION SUMMARY

Independent Valuer	CBRE
Valuation (US\$ million)	17.0
Direct Capitalisation Rate	7.5%
Terminal Yield	8.0%
Discount Rate	8.5%

\* 100% basis

### PROPERTY STATISTICS

Market	Long Island
Year Completed/Refurbished	1980
Land Area (acres)	6.5
Gross Lettable Area (sq ft)	77,151
Gross passing rent (US\$ per sq ft)	23.73
Market rent (US\$ per sq ft)	24.00
Occupancy (based on GLA)	87.1%
Gross weighted average lease term to expiry (by income)	4.3



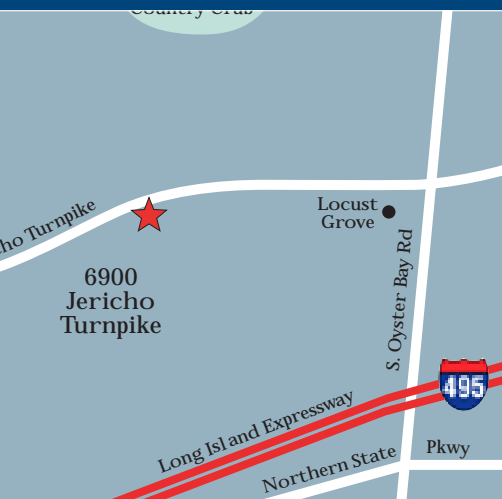
## MAJOR TENANTS SUMMARY

Tenant	Industry	Gross leased area (sq ft)	% of gross total rent	Lease expiry date	Remaining term (years)
Vacation Station	Consumer Products	13,243	18.7%	July 2010	5.1
Eckerd Corp.	Consumer Products	12,640	18.5%	February 2012	6.6
Ayaya Inc./O CB Richard	Telecom	10,180	16.1%	February 2008	2.6
Cyber Financial	Financial Services	8,724	13.5%	August 2010	5.1
Other/vacancy	Other tenants/vacancy – 8	32,364	33.3%		
<b>Total/average</b>		<b>77,151</b>	<b>100.0%</b>		<b>4.3</b>

# 6900 JERICHO TURNPIKE LONG ISLAND

## PROPERTY OVERVIEW

6900 Jericho Turnpike, Long Island is a 100,989 sq ft GLA, four storey office building completed/refurbished in 1982 and features a newly renovated lobby. The site area is 5.0 acres and includes 377 parking spaces. It is located between Route 135 and Routes 106 and 107. Major tenants include Hoffman & Baron LLP, United Jewish Appeal, Princeton Review and Lincoln Financial Group. Occupancy is 99.6% and weighted average lease term to expiry (by income) is 4.8 years.



## KEY PROPERTY STATISTICS

### ACQUISITION SUMMARY

Trust's indirect interest in US LLC	75.0%
Purchase Price (US\$ million)*	14.4
CY06 Yield	7.5%

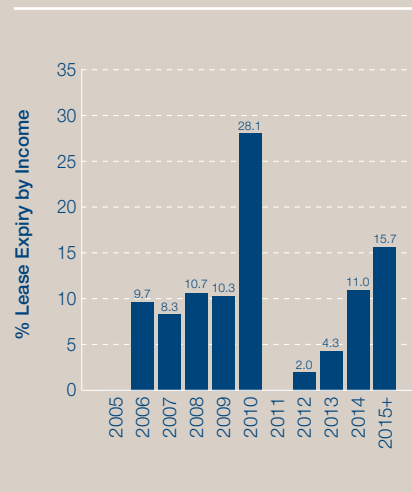
### INDEPENDENT VALUATION SUMMARY

Independent Valuer	CBRE
Valuation (US\$ million)	15.7
Direct Capitalisation Rate	7.3%
Terminal Yield	7.8%
Discount Rate	8.5%

\* 100% basis

### PROPERTY STATISTICS

Market	Long Island
Year Completed/Refurbished	1982
Land Area (acres)	5.0
Gross Lettable Area (sq ft)	100,989
Gross passing rent (US\$ per sq ft)	23.79
Market rent (US\$ per sq ft)	22.62
Occupancy (based on GLA)	99.6%
Gross weighted average lease term to expiry (by income)	4.8



## MAJOR TENANTS SUMMARY

Tenant	Industry	Gross leased area (sq ft)	% of gross total rent	Lease expiry date	Remaining term (years)
Hoffman & Baron LLP	Legal Services	21,676	24.5%	July 2010	5.1
United Jewish Appeal	Legal Services	10,848	12.3%	July 2014	9.1
Princeton Review	Other Professional Srvs	7,250	0.0%	September 2015	10.2
Lincoln Financial Group	Insurance	6,915	8.4%	April 2009	3.8
Other/vacancy	Other tenants/vacancy – 23	54,300	54.8%		
<b>Total/average</b>		<b>100,989</b>	<b>100.0%</b>		<b>4.8</b>

# 200 BROADHOLLOW ROAD LONG ISLAND

## PROPERTY OVERVIEW

200 Broadhollow Road, Long Island is a 70,110 sq ft GLA, four storey office building completed/refurbished in 1981 and features a distinctive lobby and a café. The site area is 4.6 acres and includes 299 parking spaces. It is located within easy access of the Long Island Expressway and Northern State Parkway. Major tenants include HQ Global Workplaces, Oneida Ltd, Burr Enterprises Ltd and Charles Schwab & Co. Occupancy is 93.8% and weighted average lease term to expiry (by income) is 3.8 years.



## KEY PROPERTY STATISTICS

### ACQUISITION SUMMARY

Trust's indirect interest in US LLC	75.0%
Purchase Price (US\$ million)*	11.8
CY06 Yield	8.0%

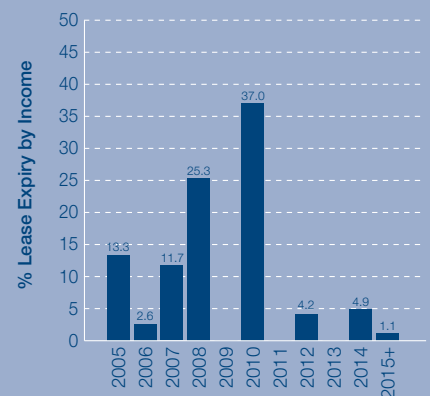
### INDEPENDENT APPRAISAL SUMMARY

Name of Appraiser	CBRE
Appraised Valuation (US\$ million)	12.5
Direct Capitalisation Rate	7.5%
Terminal Yield	8.0%
Discount Rate	8.5%

\* 100% basis

### PROPERTY STATISTICS

Market	Long Island
Year Completed/Refurbished	1981
Land Area (acres)	4.6
Gross Lettable Area (sq ft)	70,110
Gross passing rent (US\$ per sq ft)	26.03
Market rent (US\$ per sq ft)	25.00
Occupancy (based on GLA)	93.8%
Gross weighted average lease term to expiry (by income)	3.8



## MAJOR TENANTS SUMMARY

Tenant	Industry	Gross leased area (sq ft)	% of gross total rent	Lease expiry date	Remaining term (years)
HQ Global Workplaces	Real Estate	16,507	23.4%	June 2008	3.0
Oneida Ltd	Consumer Products	15,315	26.2%	January 2010	4.6
Burr Enterprises Ltd	Financial Services	9,372	14.9%	March 2010	4.7
Charles Schwab & Co.	Financial Services	4,669	7.7%	June 2007	2.0
Other/vacancy	Other tenants/vacancy – 18	24,247	27.8%		
<b>Total/average</b>		<b>70,110</b>	<b>100.0%</b>		<b>3.8</b>

# 300 MOTOR PARKWAY LONG ISLAND

## PROPERTY OVERVIEW

300 Motor Parkway, Long Island is a 54,334 sq ft GLA, single storey office building completed/refurbished in 1979. The site area is 4.2 acres and includes 279 parking spaces. It is located within easy access of the Long Island Expressway and Long Island Motor Parkway. Major tenants include NYS Department of Law Medicaid, Metropolitan Life, the New York State Department and HQ Global Workplaces. Occupancy is 97.5% and weighted average lease term to expiry (by income) is 4.2 years.



## KEY PROPERTY STATISTICS

### ACQUISITION SUMMARY

Trust's indirect interest in US LLC	75.0%
Purchase Price (US\$ million)*	8.1
CY06 Yield	8.0%

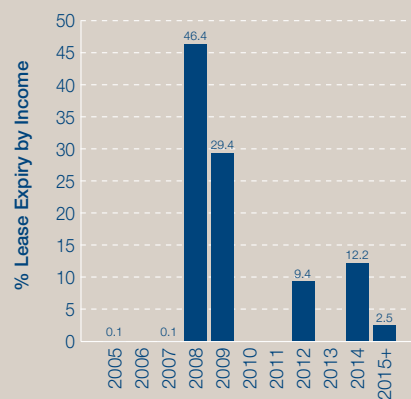
### INDEPENDENT APPRAISAL SUMMARY

Name of Appraiser	CBRE
Appraised Valuation (US\$ million)	8.6
Direct Capitalisation Rate	7.5%
Terminal Yield	8.0%
Discount Rate	9.0%

\* 100% basis

### PROPERTY STATISTICS

Market	Long Island
Year Completed/Refurbished	1979
Land Area (acres)	4.2
Gross Lettable Area (sq ft)	54,334
Gross passing rent (US\$ per sq ft)	19.48
Market rent (US\$ per sq ft)	19.49
Occupancy (based on GLA)	97.5%
Gross weighted average lease term to expiry (by income)	4.2



## MAJOR TENANTS SUMMARY

Tenant	Industry	Gross leased area (sq ft)	% of gross total rent	Lease expiry date	Remaining term (years)
NYS Dept. of Law Medicaid	Governmental	9,718	17.2%	September 2008	3.2
Metropolitan Life-Ref	Insurance	9,546	23.0%	March 2009	3.7
New York State Dept.	Governmental	8,359	17.7%	September 2008	3.2
HQ Global Workplaces	Real Estate	7,129	12.3%	June 2008	3.0
Other/vacancy	Other tenants/vacancy – 7	19,582	29.7%		
<b>Total/average</b>		<b>54,334</b>	<b>100.0%</b>		<b>4.2</b>

# 88 DURYEA ROAD LONG ISLAND

## PROPERTY OVERVIEW

88 Duryea Road, Long Island is a 26,367 sq ft GLA, two storey office building completed/refurbished in 1980 and features a newly renovated lobby. The site area is 1.5 acres and includes 95 parking spaces. It is located off the Route 110 corridor. Major tenants include Arcadis G&M, R&R Direct Mail, Integrated Business Systems and Swerdloff & Swerdloff. Occupancy is 100.0% and weighted average lease term to expiry (by income) is 2.0 years.



## KEY PROPERTY STATISTICS

### ACQUISITION SUMMARY

Trust's indirect interest in US LLC	75.0%
Purchase Price (US\$ million)*	4.0
CY06 Yield	7.7%

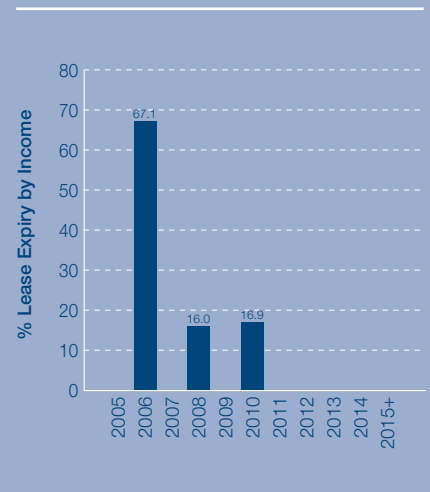
### INDEPENDENT VALUATION SUMMARY

Name of Appraiser	CBRE
Valuation (US\$ million)	4.2
Direct Capitalisation Rate	8.0%
Terminal Yield	8.5%
Discount Rate	8.8%

\* 100% basis

### PROPERTY STATISTICS

Market	Long Island
Year Completed/Refurbished	1980
Land Area (acres)	1.5
Gross Lettable Area (sq ft)	26,367
Gross passing rent (US\$ per sq ft)	22.36
Market rent (US\$ per sq ft)	22.00
Occupancy (based on GLA)	100.0%
Gross weighted average lease term to expiry (by income)	2.0



## MAJOR TENANTS SUMMARY

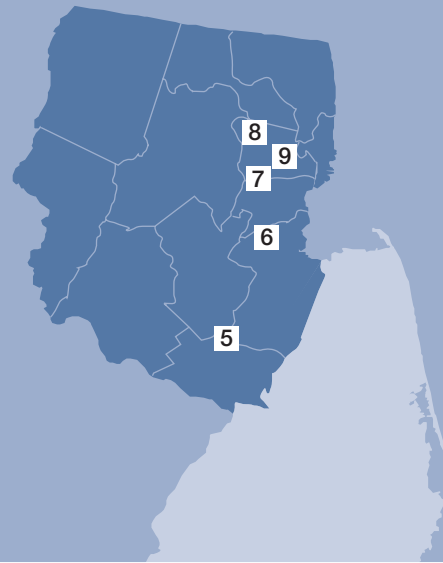
Tenant	Industry	Gross leased area (sq ft)	% of gross total rent	Lease expiry date	Remaining term (years)
Arcadis G&M/ATT: Staubac	Consulting/Research	12,000	49.2%	August 2006	1.1
Integrated Business Systems	Technology	4,081	17.6%	April 2006	0.8
R&R Direct Mail Inc. DBA	Other Professional Services	4,280	16.3%	July 2010	5.1
Swerdloff & Swerdloff	Accounting	3,517	14.9%	October 2008	3.3
Other/vacancy	Other tenants/vacancy – 6	2,489	1.9%		
<b>Total/average</b>		<b>26,367</b>	<b>100.0%</b>		<b>2.0</b>

# NORTHERN NEW JERSEY OFFICE MARKET

With a population of 6.9 million and total office market GLA of 135 million sq ft, Northern New Jersey is the fourth largest office market in the United States and is home to the global headquarters of Prudential Insurance, Schering-Plough and Johnson & Johnson. The Northern New Jersey office market has demonstrated strong market fundamentals. Increasing tenant demand has been outpacing supply, resulting in upward pressure on market rents. Overall improvement in the economy is expected to result in lower vacancy levels, strong growth in average gross market rents and positive net absorption.

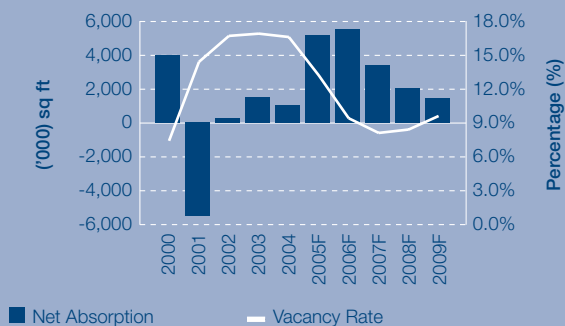
## NORTHERN NEW JERSEY

- 5. **Princeton**  
100 Campus Drive\*  
104 Campus Drive\*  
115 Campus Drive\*
- 6. **South Plainfield**  
40 Cragwood Drive\*
- 7. **West Orange**  
100 Executive Drive  
200 Executive Drive  
300 Executive Drive  
10 Rooney Circle
- 8. **Parsippany**  
99 Cherry Hill Road\*  
119 Cherry Hill Road\*
- 9. **Nutley**  
492 River Road



\*Denotes option properties

## NET ABSORPTION AND VACANCY



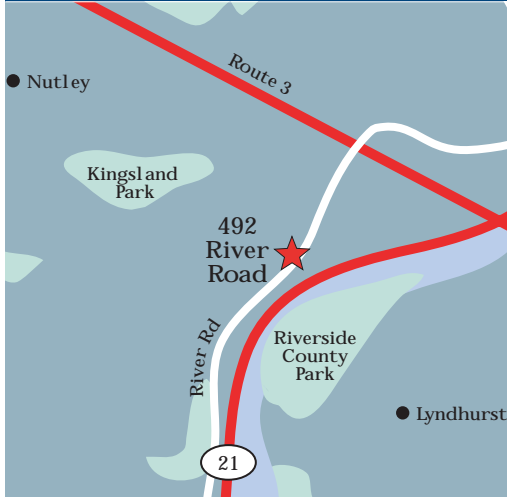
## AVERAGE GROSS MARKET RENTAL RATES



# 492 RIVER ROAD NORTHERN NEW JERSEY

## PROPERTY OVERVIEW

492 River Road, Northern New Jersey is a 130,009 sq ft GLA, three storey office building completed/refurbished in 2000. The site area is 17.3 acres and includes 496 parking spaces. It is located within easy access of the intersection of Route 3 and Route 21. The building is 100% leased to Radianz U.S. No. 2 Inc. with a remaining lease term of 5.8 years.



## KEY PROPERTY STATISTICS

### ACQUISITION SUMMARY

Trust's indirect interest in US LLC	75.0%
Purchase Price (US\$ million)*	28.4
CY06 Yield	8.0%

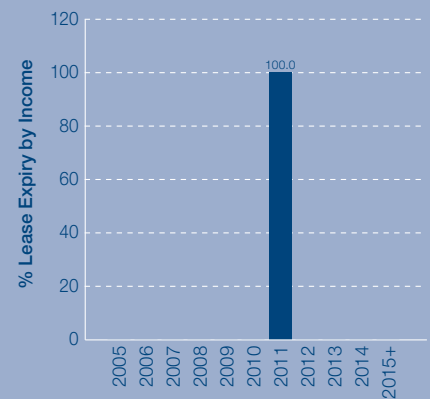
### INDEPENDENT APPRAISAL SUMMARY

Name of Appraiser	CBRE
Appraised Valuation (US\$ million)	29.7
Direct Capitalisation Rate	7.5%
Terminal Yield	8.0%
Discount Rate	9.0%

\* 100% basis

### PROPERTY STATISTICS

Market	Northern New Jersey
Year Completed/Refurbished	2000
Land Area (acres)	17.3
Gross Lettable Area (sq ft)	130,009
Gross passing rent (US\$ per sq ft)	16.75
Market rent (US\$ per sq ft)	17.00
Occupancy (based on GLA)	100.0%
Gross weighted average lease term to expiry (by income)	5.8



## MAJOR TENANTS SUMMARY

Tenant	Industry	Gross leased area (sq ft)	% of gross total rent	Lease expiry date	Remaining term (years)
Radianz U.S. No. 2 Inc.	Telecom	130,009	100.0%	May 2011	5.8
Other/vacancy	Other tenants/vacancy – 0	0			
<b>Total/average</b>		<b>130,009</b>	<b>100.0%</b>		<b>5.8</b>

# 300 EXECUTIVE DRIVE NORTHERN NEW JERSEY

## PROPERTY OVERVIEW

300 Executive Drive, Northern New Jersey is a 128,507 sq ft GLA, four storey office building completed/refurbished in 1984 and features a marble and wood lobby. The site area is 8.7 acres and includes 508 parking spaces. It is located within easy access of Route 280, New Jersey Turnpike and Garden State Parkway. Major tenants include Computer Sciences, State Farm Insurance, Select Medical Corp. and First American Real Estate. Occupancy is 94.1% and weighted average lease term to expiry (by income) is 2.2 years.



## KEY PROPERTY STATISTICS

### ACQUISITION SUMMARY

Trust's indirect interest in US LLC	75.0%
Purchase Price (US\$ million)*	17.2
CY06 Yield	6.6%

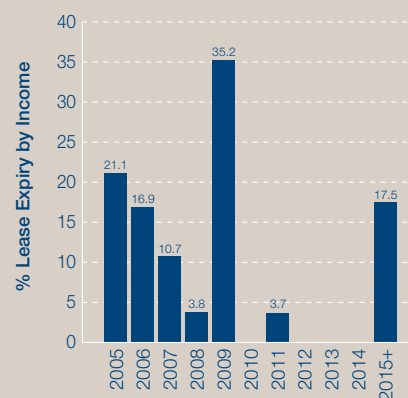
### INDEPENDENT VALUATION SUMMARY

Independent Valuer	CBRE
Valuation (US\$ million)	18.7
Direct Capitalisation Rate	7.5%
Terminal Yield	8.0%
Discount Rate	9.0%

\* 100% basis

### PROPERTY STATISTICS

Market	Northern New Jersey
Year Completed/Refurbished	1984
Land Area (acres)	8.7
Gross Lettable Area (sq ft)	128,507
Gross passing rent (US\$ per sq ft)	21.67
Market rent (US\$ per sq ft)	22.00
Occupancy (based on GLA)	94.1%
Gross weighted average lease term to expiry (by income)	2.2



## MAJOR TENANTS SUMMARY

Tenant	Industry	Gross leased area (sq ft)	% of gross total rent	Lease expiry date	Remaining term (years)
Computer Sciences	Technology	27,131	17.2%	November 2009	4.4
State Farm Insurance	Insurance	13,974	11.2%	December 2005	0.5
Select Medical Corp.	Healthcare	13,886	13.8%	September 2005	0.2
First American Real Estate	Real Estate	13,093	11.1%	May 2009	3.9
Other/vacancy	Other tenants/vacancy – 15	60,423	46.8%		
<b>Total/average</b>		<b>128,507</b>	<b>100.0%</b>		<b>2.2</b>

# 200 EXECUTIVE DRIVE NORTHERN NEW JERSEY

## PROPERTY OVERVIEW

200 Executive Drive, Northern New Jersey is a 109,183 sq ft GLA, four storey office building completed/refurbished in 1984 and features a newly renovated lobby with storefront entrance. The site area is 8.2 acres and includes 415 parking spaces. It is located within easy access to Route 280, New Jersey Turnpike and Garden State Parkway. Major tenants include Verizon Directory, Lincoln Educational and Goldberg Mufson & Spar. Occupancy is 93.4% and weighted average lease term to expiry (by income) is 5.5 years.



## KEY PROPERTY STATISTICS

### ACQUISITION SUMMARY

Trust's indirect interest in US LLC	75.0%
Purchase Price (US\$ million)*	16.0
CY06 Yield	7.8%

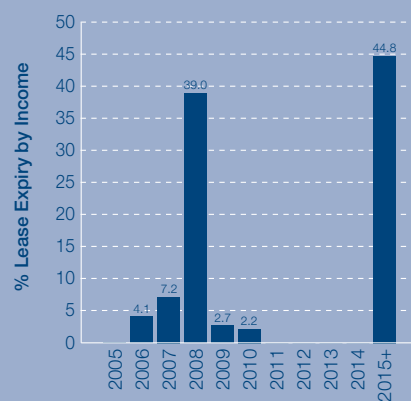
### INDEPENDENT APPRAISAL SUMMARY

Name of Appraiser	CBRE
Appraised Valuation (US\$ million)	16.7
Direct Capitalisation Rate	7.5%
Terminal Yield	8.0%
Discount Rate	9.0%

\* 100% basis

### PROPERTY STATISTICS

Market	Northern New Jersey
Year Completed/Refurbished	1984
Land Area (acres)	8.2
Gross Lettable Area (sq ft)	109,183
Gross passing rent (US\$ per sq ft)	21.59
Market rent (US\$ per sq ft)	22.00
Occupancy (based on GLA)	93.4%
Gross weighted average lease term to expiry (by income)	5.5



## MAJOR TENANTS SUMMARY

Tenant	Industry	Gross leased area (sq ft)	% of gross total rent	Lease expiry date	Remaining term (years)
Verizon Directory	Telecom	35,855	36.2%	June 2008	3.0
Lincoln Educational SRV	Other Professional Services	24,714	22.6%	July 2015	10.1
Lincoln Educational SRV	Other Professional Services	15,371	14.1%	July 2015	10.1
Goldberg Mufson & Spar	Legal Services	5,019	5.6%	October 2007	2.3
Other/vacancy	Other tenants/vacancy – 12	28,224	21.5%		
<b>Total/average</b>		<b>109,183</b>	<b>100.0%</b>		<b>5.5</b>

# 100 EXECUTIVE DRIVE NORTHERN NEW JERSEY

## PROPERTY OVERVIEW

100 Executive Drive, Northern New Jersey is a 94,035 sq ft GLA, three storey office building completed/refurbished in 1984 and features a distinctive mirror and granite lobby. The site area is 10.1 acres and includes 419 parking spaces. It is located within easy access to Route 280, New Jersey Turnpike and Garden State Parkway. Major tenants include Herbert L Jamison, Patient Care Inc., Booker Rabinowitz Tren and Feinstein-Raiss Klein. Occupancy is 85.7% and weighted average lease term to expiry (by income) is 6.8 years.



## KEY PROPERTY STATISTICS

### ACQUISITION SUMMARY

Trust's indirect interest in US LLC	75.0%
Purchase Price (US\$ million)*	14.5
CY06 Yield	8.4%

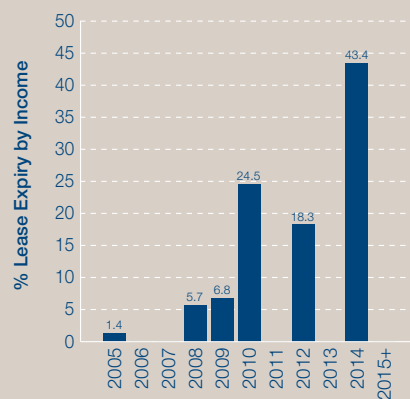
### INDEPENDENT APPRAISAL SUMMARY

Name of Appraiser	CBRE
Appraised Valuation (US\$ million)	15.2
Direct Capitalisation Rate	7.5%
Terminal Yield	8.0%
Discount Rate	9.0%

\* 100% basis

### PROPERTY STATISTICS

Market	Northern New Jersey
Year Completed/Refurbished	1984
Land Area (acres)	10.1
Gross Lettable Area (sq ft)	94,035
Gross passing rent (US\$ per sq ft)	20.57
Market rent (US\$ per sq ft)	22.00
Occupancy (based on GLA)	85.7%
Gross weighted average lease term to expiry (by income)	6.8



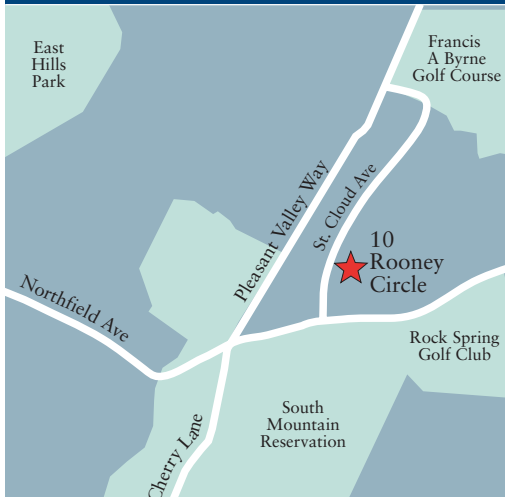
## MAJOR TENANTS SUMMARY

Tenant	Industry	Gross leased area (sq ft)	% of gross total rent	Lease expiry date	Remaining term (years)
Herbert L Jamison	Insurance	26,280	36.5%	May 2014	8.9
Patient Care Inc.	Healthcare	14,503	18.3%	August 2012	7.1
Booker Rabinowitz Tren	Legal Services	10,952	14.2%	May 2010	4.9
Feinstein-Raiss Klein	Legal Services	6,713	8.5%	September 2010	5.2
Other/vacancy	Other tenants/vacancy – 12	35,587	22.5%		
<b>Total/average</b>		<b>94,035</b>	<b>100.0%</b>		<b>6.8</b>

# 10 ROONEY CIRCLE NORTHERN NEW JERSEY

## PROPERTY OVERVIEW

10 Rooney Circle, Northern New Jersey is a 70,716 sq ft GLA, three storey office building completed/refurbished in 1971. The site area is 5.2 acres and includes 266 parking spaces. It is located within easy access of Route 280, New Jersey Turnpike and Garden State Parkway. Major tenants include DHS FAMS and Patient Care Medical Services. Occupancy is 78.9% and weighted average lease term to expiry (by income) is 5.6 years.



## KEY PROPERTY STATISTICS

### ACQUISITION SUMMARY

Trust's indirect interest in US LLC	75.0%
Purchase Price (US\$ million)*	11.1
CY06 Yield	9.8%

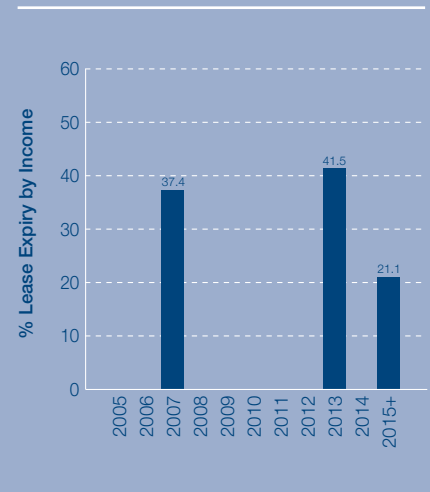
### INDEPENDENT VALUATION SUMMARY

Name of Appraiser	CBRE
Valuation (US\$ million)	12.0
Direct Capitalisation Rate	8.0%
Terminal Yield	8.0%
Discount Rate	9.0%

\* 100% basis

### PROPERTY STATISTICS

Market	Northern New Jersey
Year Completed/Refurbished	1971
Land Area (acres)	5.2
Gross Lettable Area (sq ft)	70,716
Gross passing rent (US\$ per sq ft)	25.11
Market rent (US\$ per sq ft)	23.00
Occupancy (based on GLA)	78.9%
Gross weighted average lease term to expiry (by income)	5.6



## MAJOR TENANTS SUMMARY

Tenant	Industry	Gross leased area (sq ft)	% of gross total rent	Lease expiry date	Remaining term (years)
DHS FAMS-FAA W.J Hughe	Governmental	29,372	56.7%	November 2013	8.4
Patient Care Medical Services	Healthcare	26,448	43.3%	June 2007	2.0
Other/vacancy	Other tenants/vacancy – 1	14,896	0.0%		
<b>Total/average</b>		<b>70,716</b>	<b>100.0%</b>		<b>5.6</b>

# WESTCHESTER COUNTY OFFICE MARKET

With a population of 942,000 and total office market GLA of 25 million sq ft, Westchester is the 47th largest office market in the United States and is home to the global headquarters of IBM, Pepsi Co. and Reader's Digest. The Westchester office market has demonstrated strong market fundamentals driven by the decentralisation of the New York office market, particularly in the financial services industry. Vacancy levels in Westchester have steadily declined and this trend is expected to continue. Average gross market rental rates are expected to show growth in future years driven by a recovery in demand for office space.

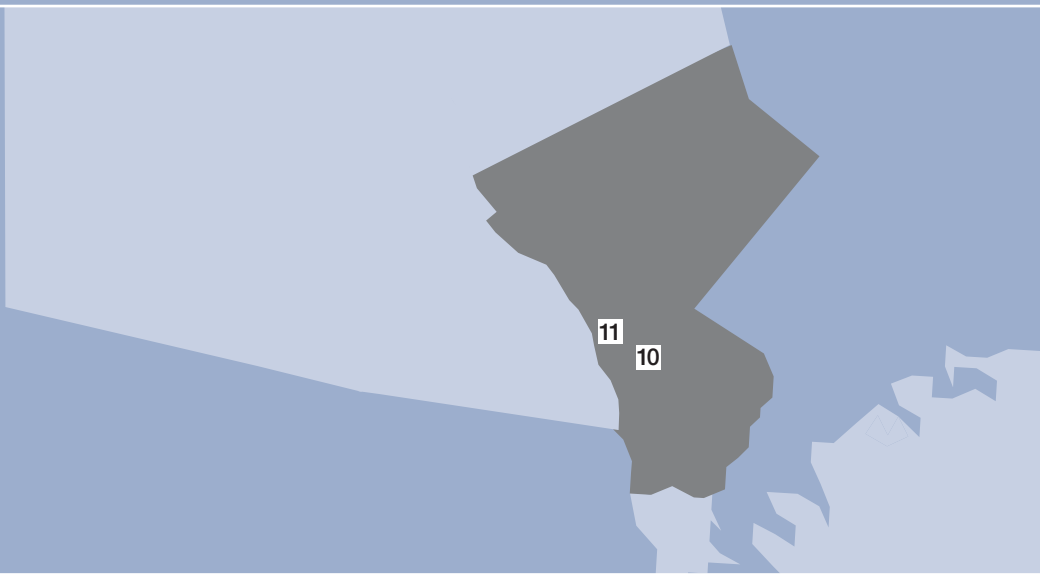
## WESTCHESTER

### 10. Elmsford

80 Grasslands Road  
100 Grasslands Road

### 11. Tarrytown

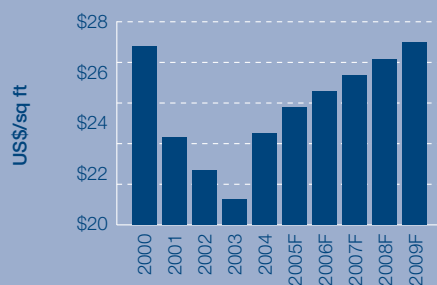
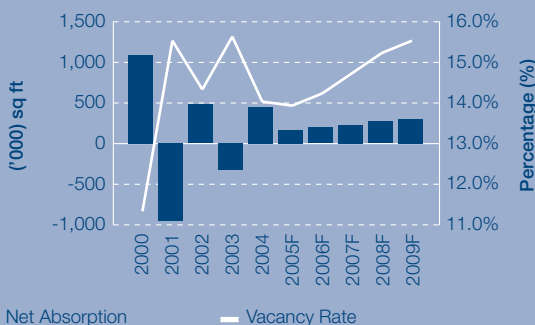
505 White Plains Road  
520 White Plains Road\*  
555 White Plains Road  
560 White Plains Road  
580 White Plains Road  
660 White Plains Road



\*Denotes option properties

## NET ABSORPTION AND VACANCY

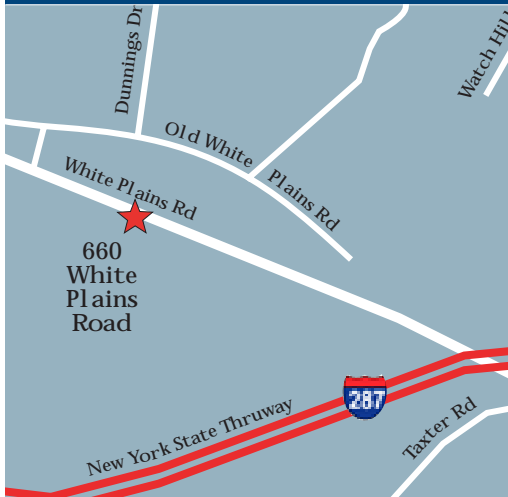
## AVERAGE GROSS MARKET RENTAL RATES



# 660 WHITE PLAINS ROAD WESTCHESTER COUNTY

## PROPERTY OVERVIEW

660 White Plains Road, Westchester County is a 275,675 sq ft GLA, six storey office building completed/refurbished in 1983. The site area is 10.9 acres and includes 830 parking spaces. It is located within easy access of the Westchester Parkway System. Major tenants include Ampacet Corp., AIG Domestic Claims Inc., Quaker Sales and Distribution and American List Counsel. Occupancy is 91.4% and weighted average lease term to expiry (by income) is 3.4 years.



## KEY PROPERTY STATISTICS

### ACQUISITION SUMMARY

Trust's indirect interest in US LLC	75.0%
Purchase Price (US\$ million)*	50.3
CY06 Yield	8.0%

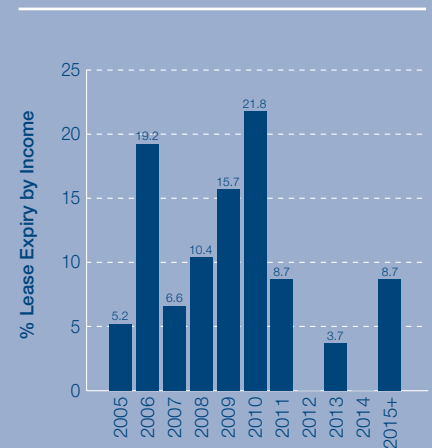
### INDEPENDENT APPRAISAL SUMMARY

Name of Appraiser	CBRE
Appraised Valuation (US\$ million)	53.6
Direct Capitalisation Rate	7.5%
Terminal Yield	8.0%
Discount Rate	8.5%

\* 100% basis

### PROPERTY STATISTICS

Market	Westchester County
Year Completed/Refurbished	1983
Land Area (acres)	10.9
Gross Lettable Area (sq ft)	275,675
Gross passing rent (US\$ per sq ft)	24.71
Market rent (US\$ per sq ft)	25.30
Occupancy (based on GLA)	91.4%
Gross weighted average lease term to expiry (by income)	3.4



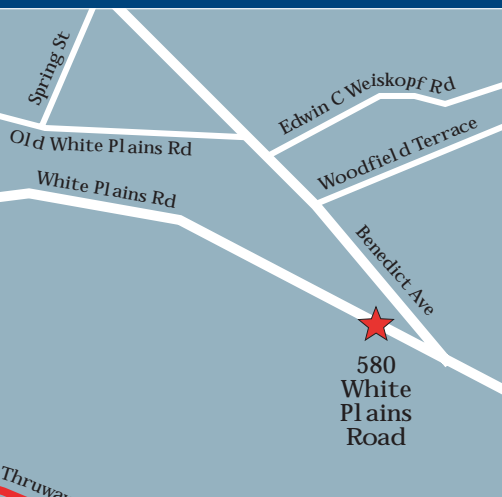
## MAJOR TENANTS SUMMARY

Tenant	Industry	Gross leased area (sq ft)	% of gross total rent	Lease expiry date	Remaining term (years)
Ampacet Corp.	Manufacturing	38,908	15.6%	March 2010	4.7
AIG Domestic Claims Inc.	Insurance	24,158	9.8%	July 2006	1.0
Quaker Sales and Distribution	Consumer Products	23,495	11.0%	March 2009	3.7
American List Counsel	Advertising	10,330	4.3%	June 2013	8.0
Other/vacancy	Other tenants/vacancy – 79	178,784	59.3%		
<b>Total/average</b>		<b>275,675</b>	<b>100.0%</b>		<b>3.4</b>

# 580 WHITE PLAINS ROAD WESTCHESTER COUNTY

## PROPERTY OVERVIEW

580 White Plains Road, Westchester County is a 172,226 sq ft GLA, six storey office building completed/refurbished in 1997. The site area is 6.1 acres and includes 609 parking spaces. It is located within easy access of the Westchester Parkway System. Major tenants include Xerox Corporation, JP Management Consulting, Spar Marketing Force Inc. and Synovate Inc. Occupancy is 68.2% and weighted average lease term to expiry (by income) is 2.8 years.



## KEY PROPERTY STATISTICS

### ACQUISITION SUMMARY

Trust's indirect interest in US LLC	75.0%
Purchase Price (US\$ million)*	26.4
CY06 Yield	7.4%

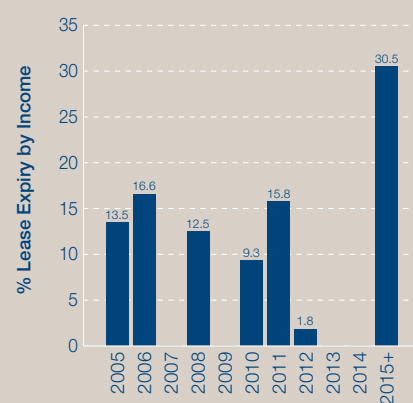
### INDEPENDENT VALUATION SUMMARY

Name of Appraiser	CBRE
Valuation (US\$ million)	28.9
Direct Capitalisation Rate	8.0%
Terminal Yield	8.5%
Discount Rate	9.0%

\* 100% basis

### PROPERTY STATISTICS

Market	Westchester County
Year Completed/Refurbished	1997
Land Area (acres)	6.1
Gross Lettable Area (sq ft)	172,226
Gross passing rent (US\$ per sq ft)	23.42
Market rent (US\$ per sq ft)	24.00
Occupancy (based on GLA)	68.2%
Gross weighted average lease term to expiry (by income)	2.8



## MAJOR TENANTS SUMMARY

Tenant	Industry	Gross leased area (sq ft)	% of gross total rent	Lease expiry date	Remaining term (years)
Xerox Corporation	Consumer Products	24,330	21.4%	June 2011	6.0
JP Management Consulting	Consulting/Research	14,132	14.1%	November 2005	0.4
Spar Marketing Force Inc.	Advertising	11,576	9.1%	April 2006	0.8
Synovate (Tarrytown) Inc.	Other Professional Services	11,331	10.5%	May 2006	0.9
Other/vacancy	Other tenants/vacancy – 16	110,857	44.9%		
<b>Total/average</b>		<b>172,226</b>	<b>100.0%</b>		<b>2.8</b>

# 560 WHITE PLAINS ROAD WESTCHESTER COUNTY

## PROPERTY OVERVIEW

560 White Plains Road, Westchester County is a 127,060 sq ft GLA, six storey office building completed/refurbished in 1980. The site area is 4.0 acres and includes 402 parking spaces. It is located within easy access of the Westchester Parkway System. Major tenants include Oracle USA Inc., Ent and Allergy Associates, Clarfeld & Company and IKON Office Solutions. Occupancy is 88.3% and weighted average lease term to expiry (by income) is 3.9 years.



## KEY PROPERTY STATISTICS

### ACQUISITION SUMMARY

Trust's indirect interest in US LLC	75.0%
Purchase Price (US\$ million)*	19.4
CY06 Yield	7.8%

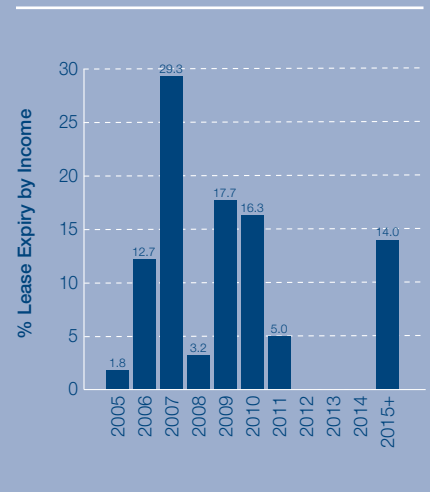
### INDEPENDENT VALUATION SUMMARY

Name of Appraiser	CBRE
Valuation (US\$ million)	20.2
Direct Capitalisation Rate	8.0%
Terminal Yield	8.5%
Discount Rate	9.0%

\* 100% basis

### PROPERTY STATISTICS

Market	Westchester County
Year Completed/Refurbished	1980
Land Area (acres)	4.0
Gross Lettable Area (sq ft)	127,060
Gross passing rent (US\$ per sq ft)	25.51
Market rent (US\$ per sq ft)	24.00
Occupancy (based on GLA)	88.3%
Gross weighted average lease term to expiry (by income)	3.9



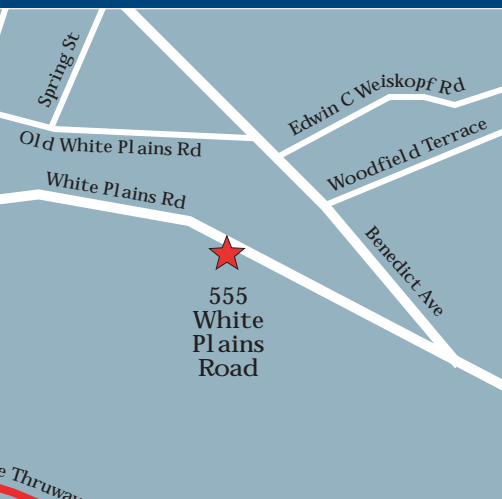
## MAJOR TENANTS SUMMARY

Tenant	Industry	Gross leased area (sq ft)	% of gross total rent	Lease expiry date	Remaining term (years)
Oracle USA Inc.	Technology	29,428	27.7%	November 2007	2.4
Ent and Allergy Associates	Healthcare	13,785	10.4%	February 2010	4.6
Clarfeld & Company	Financial Services	11,691	9.9%	August 2009	4.1
IKON Office Solutions Inc.	Consumer Products	9,432	9.6%	March 2006	0.7
Other/vacancy	Other tenants/vacancy – 16	62,724	42.4%		
<b>Total/average</b>		<b>127,060</b>	<b>100.0%</b>		<b>3.9</b>

# 555 WHITE PLAINS ROAD WESTCHESTER COUNTY

## PROPERTY OVERVIEW

555 White Plains Road, Westchester County is a 124,679 sq ft GLA, five storey office building completed/refurbished in 1972 and features a high quality lobby. The site area is 4.2 acres and includes 386 parking spaces. It is located within easy access of the Westchester Parkway System. Major tenants include Bayer Healthcare, Lincoln Life & Annuity and Interdynamics. Occupancy is 85.2% and weighted average lease term to expiry (by income) is 3.5 years.



## KEY PROPERTY STATISTICS

### ACQUISITION SUMMARY

Trust's indirect interest in US LLC	75.0%
Purchase Price (US\$ million)*	17.7
CY06 Yield	6.9%

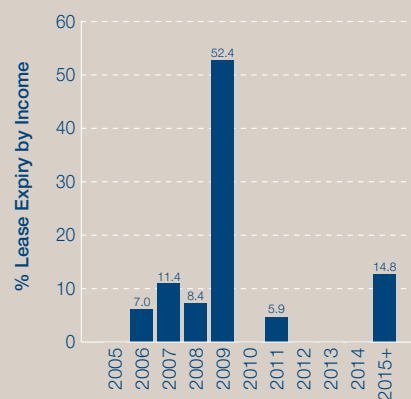
### INDEPENDENT APPRAISAL SUMMARY

Name of Appraiser	CBRE
Appraised Valuation (US\$ million)	18.9
Direct Capitalisation Rate	8.0%
Terminal Yield	8.5%
Discount Rate	9.0%

\* 100% basis

### PROPERTY STATISTICS

Market	Westchester County
Year Completed/Refurbished	1972
Land Area (acres)	4.2
Gross Lettable Area (sq ft)	124,679
Gross passing rent (US\$ per sq ft)	21.60
Market rent (US\$ per sq ft)	22.79
Occupancy (based on GLA)	85.2%
Gross weighted average lease term to expiry (by income)	3.5



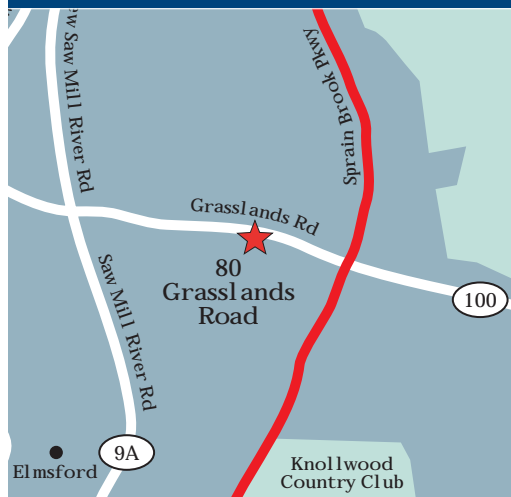
## MAJOR TENANTS SUMMARY

Tenant	Industry	Gross leased area (sq ft)	% of gross total rent	Lease expiry date	Remaining term (years)
Bayer Healthcare LLC	Pharmaceuticals	62,380	54.5%	July 2009	4.1
Bayer Healthcare LLC	Pharmaceuticals	8,960	7.8%	March 2007	1.7
Lincoln Life & Annuity	Insurance	8,783	11.2%	September 2006	1.2
Interdynamics	Manufacturing	7,454	8.1%	February 2008	2.6
Other/vacancy	Other tenants/vacancy – 5	37,102	18.4%		
<b>Total/average</b>		<b>124,679</b>	<b>100.0%</b>		<b>3.5</b>

# 80 GRASSLANDS ROAD WESTCHESTER COUNTY

## PROPERTY OVERVIEW

80 Grasslands Road, Westchester County is a 87,613 sq ft GLA, three storey office building completed/refurbished in 1989 and features a two storey lobby. The site area is 4.9 acres and includes 287 parking spaces. It is located within easy access of Route 9A, Sprain Brook Parkway, Saw Mill River Parkway and Interstate 287. Major tenants include Amscan Inc., Liberty Mutual Insurance, Steinfink Napolean and Citistreet Associates. Occupancy is 100.0% and weighted average lease term to expiry (by income) is 7.2 years.



## KEY PROPERTY STATISTICS

### ACQUISITION SUMMARY

Trust's indirect interest in US LLC	75.0%
Purchase Price (US\$ million)*	14.2
CY06 Yield	8.1%

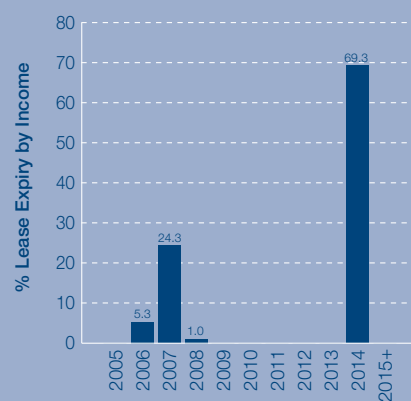
### INDEPENDENT VALUATION SUMMARY

Name of Appraiser	CBRE
Valuation (US\$ million)	14.6
Direct Capitalisation Rate	8.0%
Terminal Yield	8.5%
Discount Rate	9.0%

\* 100% basis

### PROPERTY STATISTICS

Market	Westchester County
Year Completed/Refurbished	1989
Land Area (acres)	4.9
Gross Lettable Area (sq ft)	87,613
Gross passing rent (US\$ per sq ft)	21.28
Market rent (US\$ per sq ft)	22.19
Occupancy (based on GLA)	100.0%
Gross weighted average lease term to expiry (by income)	7.2



## MAJOR TENANTS SUMMARY

Tenant	Industry	Gross leased area (sq ft)	% of gross total rent	Lease expiry date	Remaining term (years)
Amscan Inc.	Consumer Products	60,240	69.5%	December 2014	9.5
Liberty Mutual Insurance	Insurance	18,476	19.3%	December 2007	2.5
Steinfink Napolean	Accounting	4,678	6.7%	November 2006	1.4
Citistreet Associates	Commercial Bank	2,850	3.4%	January 2007	1.6
Other/vacancy	Other tenants/vacancy – 2	1,369	1.2%		
<b>Total/average</b>		<b>87,613</b>	<b>100.0%</b>		<b>7.2</b>

# 100 GRASSLANDS ROAD WESTCHESTER COUNTY

## PROPERTY OVERVIEW

100 Grasslands Road, Westchester County is a 67,454 sq ft GLA, single storey office building completed/refurbished in 2001. The site area is 8.5 acres and includes 458 parking spaces. It is located within easy access of Route 9A, Sprain Brook Parkway, Saw Mill River Parkway and Interstate 287. Major tenants include Amscan Inc. and Cooper Electric. Occupancy is 100.0% and weighted average lease term to expiry (by income) is 8.5 years.



## KEY PROPERTY STATISTICS

### ACQUISITION SUMMARY

Trust's indirect interest in US LLC	75.0%
Purchase Price (US\$ million)*	8.0
CY06 Yield	8.1%

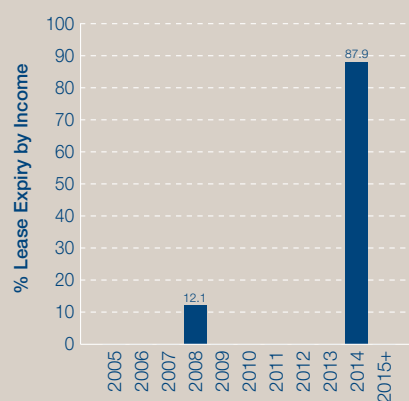
### INDEPENDENT VALUATION SUMMARY

Name of Appraiser	CBRE
Valuation (US\$ million)	8.2
Direct Capitalisation Rate	7.5%
Terminal Yield	8.5%
Discount Rate	9.0%

\* 100% basis

### PROPERTY STATISTICS

Market	Westchester County
Year Completed/Refurbished	2001
Land Area (acres)	8.5
Gross Lettable Area (sq ft)	67,454
Gross passing rent (US\$ per sq ft)	14.38
Market rent (US\$ per sq ft)	19.00
Occupancy (based on GLA)	100.0%
Gross weighted average lease term to expiry (by income)	8.5



## MAJOR TENANTS SUMMARY

Tenant	Industry	Gross leased area (sq ft)	% of gross total rent	Lease expiry date	Remaining term (years)
Amscan Inc.	Consumer Products	28,951	52.2%	December 2014	9.5
Amscan Inc.	Consumer Products	17,620	11.8%	December 2014	9.5
Amscan Inc.	Consumer Products	10,600	22.1%	December 2014	9.5
Cooper Electric	Retail/Wholesale	8,169	13.9%	March 2008	2.7
Other/vacancy	Other tenants/vacancy – 1	2,114	0.0%		
<b>Total/average</b>		<b>67,454</b>	<b>100.0%</b>		<b>8.5</b>

# 505 WHITE PLAINS ROAD WESTCHESTER COUNTY

## PROPERTY OVERVIEW

505 White Plains Road, Westchester County is a 26,331 sq ft GLA, two storey office building completed/refurbished in 1974. The site area is 1.4 acres and includes 89 parking spaces. It is located within easy access of the Westchester Parkway System. Major tenants include Fleet Financial, B&T DBA Imaging Network, Elliot Leadership Inst. and Wells Fargo Bank. Occupancy is 92.6% and weighted average lease term to expiry (by income) is 2.6 years.



## KEY PROPERTY STATISTICS

### ACQUISITION SUMMARY

Trust's indirect interest in US LLC	75.0%
Purchase Price (US\$ million)*	3.8
CY06 Yield	7.7%

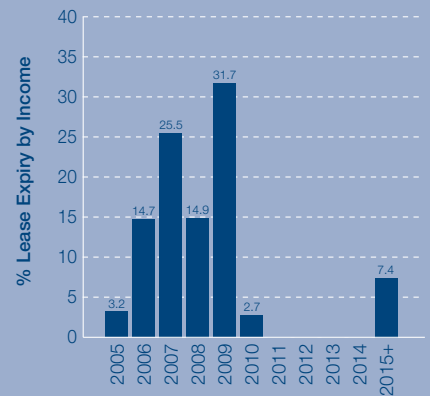
### INDEPENDENT VALUATION SUMMARY

Name of Appraiser	CBRE
Valuation (US\$ million)	4.0
Direct Capitalisation Rate	8.0%
Terminal Yield	8.5%
Discount Rate	9.0%

\* 100% basis

### PROPERTY STATISTICS

Market	Westchester County
Year Completed/Refurbished	1974
Land Area (acres)	1.4
Gross Lettable Area (sq ft)	26,331
Gross passing rent (US\$ per sq ft)	23.72
Market rent (US\$ per sq ft)	23.50
Occupancy (based on GLA)	92.6%
Gross weighted average lease term to expiry (by income)	2.6



## MAJOR TENANTS SUMMARY

Tenant	Industry	Gross leased area (sq ft)	% of gross total rent	Lease expiry date	Remaining term (years)
Fleet Financial	Commercial Bank	3,102	12.3%	June 2009	4.0
B&T DBA Imaging Network	Other Professional Services	2,567	9.8%	June 2009	4.0
Elliot Leadership Inst.	Other Professional Services	1,981	7.5%	May 2008	2.9
Wells Fargo Bank NA LSE	Financial Services	1,962	9.2%	February 2007	1.6
Other/vacancy	Other tenants/vacancy – 19	16,719	61.2%		
<b>Total/average</b>		<b>26,331</b>	<b>100.0%</b>		<b>2.6</b>

# FAIRFIELD COUNTY OFFICE MARKET

With a population of 908,000 and total office market GLA of 31 million sq ft, Fairfield County is the 50th largest office market in the United States and is home to the global headquarters of General Electric and the North American headquarters of Diageo and UBS.

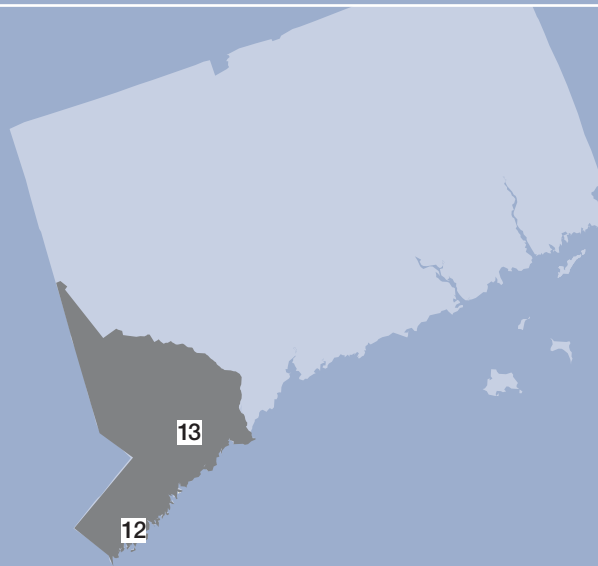
## FAIRFIELD COUNTY

### 12. Stamford

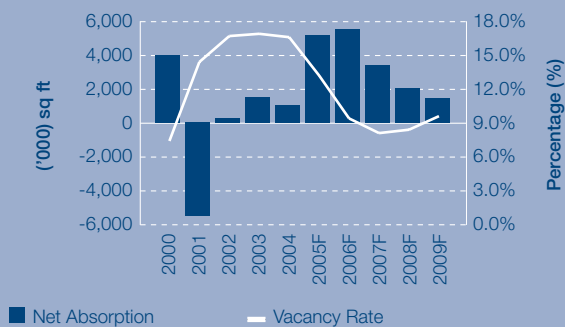
225 High Ridge Road

### 13. Shelton

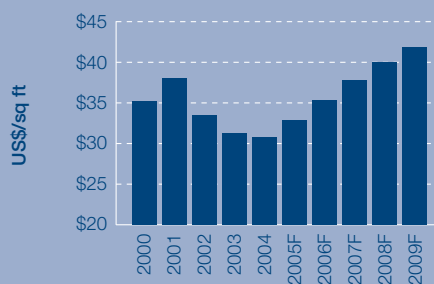
710 Bridgeport Avenue



## NET ABSORPTION AND VACANCY



## AVERAGE GROSS MARKET RENTAL RATES



# 225 HIGH RIDGE ROAD FAIRFIELD COUNTY

## PROPERTY OVERVIEW

225 High Ridge Road, Fairfield County is a 227,918 sq ft GLA, three storey office building completed/refurbished in 1990. The site area is 14.01 acres and includes 685 parking spaces. It is located within easy access of Interstate 95. Major tenants include Clariol Inc., Philip Morris Management Co. and US Trust Company. Occupancy is 100.0% and weighted average lease term to expiry (by income) is 4.9 years.



### ACQUISITION SUMMARY

Trust's indirect interest in US LLC	75.0%
Purchase Price (US\$ million)*	76.5
CY06 Yield	8.2%

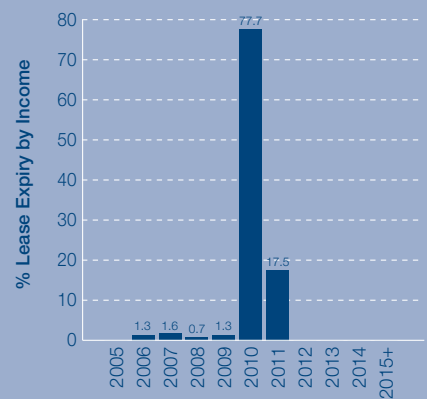
### INDEPENDENT APPRAISAL SUMMARY

Name of Appraiser	CBRE
Appraised Valuation (US\$ million)	76.5
Direct Capitalisation Rate	7.5%
Terminal Yield	7.5%
Discount Rate	8.3%

\* 100% basis

### PROPERTY STATISTICS

Market	Fairfield County
Year Completed/Refurbished	1990
Land Area (acres)	14.01
Gross Lettable Area (sq ft)	227,918
Gross passing rent (US\$ per sq ft)	37.63
Market rent (US\$ per sq ft)	32.90
Occupancy (based on GLA)	100.0%
Gross weighted average lease term to expiry (by income)	4.9



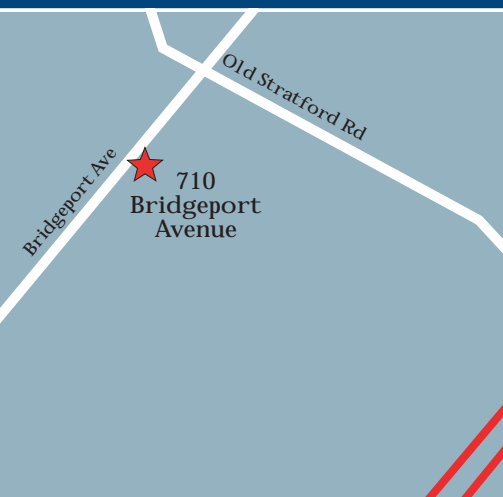
## MAJOR TENANTS SUMMARY

Tenant	Industry	Gross leased area (sq ft)	% of gross total rent	Lease expiry date	Remaining term (years)
Clariol Inc.	Other Professional Services	114,720	51.3%	April 2010	4.8
Philip Morris Mgmt. Co.	Consumer Products	41,911	18.4%	September 2010	5.2
US Trust Company NA	Manufacturing	21,112	8.5%	January 2011	5.6
US Trust Company NA	Manufacturing	18,700	8.7%	October 2010	5.3
Other/vacancy	Other tenants/vacancy – 8	31,475	13.0%		
<b>Total/average</b>		<b>227,918</b>	<b>100.0%</b>		<b>4.9</b>

# 710 BRIDGEPORT AVENUE FAIRFIELD COUNTY

## PROPERTY OVERVIEW

710 Bridgeport Avenue, Fairfield County is a 452,414 sq ft GLA, two storey office and other flex use (including research and development) building completed/refurbished in 1979. The site area is 36.1 acres and includes 868 parking spaces. The major tenant is Perkin Elmer Inc. Occupancy is 71.7% and weighted average lease term to expiry (by income) is 5.5 years.



## KEY PROPERTY STATISTICS

### ACQUISITION SUMMARY

Trust's indirect interest in US LLC	75.0%
Purchase Price (US\$ million)*	39.4
CY06 Yield	9.3%

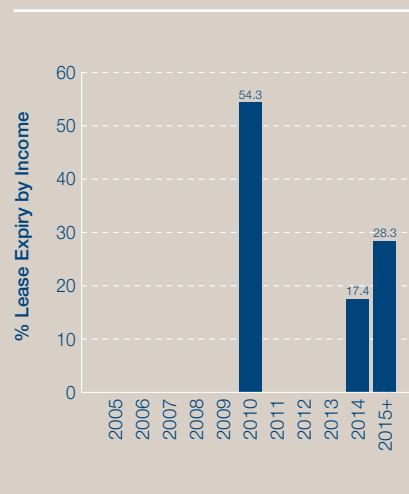
### INDEPENDENT VALUATION SUMMARY

Independent Valuer	CBRE
Valuation (US\$ million)	42.7
Direct Capitalisation Rate	8.0%
Terminal Yield	8.5%
Discount Rate	10.0%

\* 100% basis

### PROPERTY STATISTICS

Market	Fairfield County
Year Completed/Refurbished	1979
Land Area (acres)	36.1
Gross Lettable Area (sq ft)	452,414
Gross passing rent (US\$ per sq ft)	8.66
Market rent (US\$ per sq ft)	8.49
Occupancy (based on GLA)	71.7%
Gross weighted average lease term to expiry (by income)	5.5



## MAJOR TENANTS SUMMARY

Tenant	Industry	Gross leased area (sq ft)	% of gross total rent	Lease expiry date	Remaining term (years)
Perkin Elmer Inc.	Technology	245,704	86.7%	July 2010	5.0
Atrium Companies Inc.	Manufacturing	78,877	13.3%	June 2014	9.0
Other/vacancy	Other tenant/vacancy - 1	127,833	0.0%		
<b>Total/average</b>		<b>452,414</b>	<b>100.0%</b>		<b>5.5</b>



## **SECTION SIX** FEES AND EXPENSES

## SECTION 6 FEES AND EXPENSES

### 6.1 FEES AND EXPENSES OF THE OFFER

The following fees and expenses will be paid out of the Offer.

Fee	Amount	Ultimately received by	Paid by
Joint Lead Managers and Underwriters' fee	\$7.9 million (3.0% of the underwritten amount)	Citigroup Global Markets Australia Pty Ltd and UBS AG, Australia Branch	The Trust, out of the proceeds of the Offer
Broker firm fee	Approximately \$1.0 million assuming 25% of the Offer allocated to Broker Firm Offer (up to 1.5% of the amount allocated to the Broker Firm Offer)	Member organisations of ASX and members of the Financial Planning Association	The Trust, out of the proceeds of the Offer
Other Offer costs	Approximately \$10.7 million	Various, including ASX and professional providers of services such as lawyers, accountants, valuers and printers	The Trust, out of the proceeds of the Offer
Sponsor Fees, payable under the Asset Management Agreement which comprise the following three fees:	Approximately \$7.2 million	Reckson Australia Asset Manager LLC	The US REIT
<ul style="list-style-type: none"> <li>Transaction structuring fee</li> </ul>	Approximately \$5.5 million (being 1.0% of the US REIT's proportionate share of the initial enterprise value (including all debt and equity attributable to the US REIT and its assets and assuming the closing of all three tranches and the option properties if and when acquired as referred to in this PDS), earned upon the US REIT's initial acquisition of its interest in the US LLC and payable in instalments as each tranche or option property is acquired by the US LLC)		
<ul style="list-style-type: none"> <li>Capital structuring fee</li> </ul>	Approximately \$1.6 million (being 0.50% of the US REIT's proportionate share of the principal amount of any borrowing (including the maximum amount available under such borrowing whether or not drawn by the US REIT or any of its subsidiaries, in connection with the initial formation of the US REIT and its initial investment in the US LLC (including all three tranches and the option properties if and when acquired as referred to in this PDS); payable with respect to the tranches upon the US REIT's initial acquisition if its interest in the US LLC even if the Asset Management Agreement is terminated)		
<ul style="list-style-type: none"> <li>Credit enhancement fee</li> </ul>	Approximately \$200,000 (payable in connection with credit support by Reckson for certain obligations of the US REIT or US LLC or any of its subsidiaries, payable upon the US REIT's initial acquisition of its interest in the US LLC)		

Totals may vary due to rounding

## 6.2 ONGOING FEES AND EXPENSES PAYABLE DIRECTLY OR INDIRECTLY BY THE TRUST

Fee	Payable to	Payable by	Description	Example of fee calculation
Management fees payable under the Constitution, Asset Management Agreement and Fee Allocation Agreement	The Responsible Entity and Reckson Australia Asset Manager LLC (the US Asset Manager)	The Trust – to the Responsible Entity  The US REIT – to the US Asset Manager <sup>(1)</sup>	0.45% per annum of the Trust's direct or indirect proportionate interest in properties and other assets of the Trust calculated on a half yearly basis as at 30 June and 31 December and adjusted on a current basis for acquisitions and disposals <sup>(2)</sup>  The fees are payable quarterly in arrears  All expenses properly incurred by the Responsible Entity in connection with the Trust are payable or reimbursed out of the assets of the Trust to the extent the Corporations Act and the Constitution allow  The US Asset Manager will be reimbursed by the US REIT for: <ul style="list-style-type: none"> <li>• all out-of-pocket expenses incurred by the US Asset Manager in connection with the performance of its obligations; and</li> <li>• all other third party costs and expenses relating to the US REIT's operations</li> </ul>	Assuming the Trust's assets, including its indirect proportionate interest in properties and other assets is \$450.0 million, the annual management fee payable would be approximately 0.45% per annum of \$450.0 million, or \$2.0 million  This fee would be split between the Responsible Entity and the US Asset Manager in the manner described in footnote 1 below.

(1) Under the Fee Allocation Agreement (see 9.1.3), the management fees payable under the Constitution are split between the Responsible Entity and the US Asset Manager. The Responsible Entity receives fees sufficient to cover its working capital requirements under its Australian financial services licence – the balance is payable to the US Asset Manager. The total management fees payable to the two entities will not exceed the 0.45% management fee permitted under the Constitution

(2) For the quarters and half years ending on 31 December 2005 and 30 June 2006 and in following years, the fee will be calculated by reference to the value of the Trust's interest in the underlying assets on those dates but the fees for each such quarter and the previous quarter will be adjusted pro rata to take into account increases or decreases in the value of the Trust's interest since the last 30 June or 31 December as the case may be

## 6.2 ONGOING FEES AND EXPENSES PAYABLE DIRECTLY OR INDIRECTLY BY THE TRUST

Fee	Payable to	Payable by	Description	Example of fee calculation
Acquisition fee – payable for acting as agent/adviser on the purchase of properties making up the underlying Trust assets – payable under the Services Agreement	Reckson Management Group, Inc (RMG)	US LLC	<p>1.0% of the purchase price of assets directly or indirectly acquired by the US LLC from unaffiliated third parties or from Reckson if the assets were acquired by Reckson from a third party within 12 months of the asset's transfer to the US LLC</p> <p>This fee is not payable in relation to the Properties or the Option Properties</p>	Assuming the purchase price of an additional property was \$25 million, the acquisition fee payable would be 1.0% of \$25 million, or \$250,000
Disposition fee – payable for acting as agent/adviser on the sale of properties making up the underlying Trust assets – payable under the Services Agreement	RMG	US LLC	<p>1.0% of the sale price of any and all assets directly and indirectly disposed of by the US LLC, less any fees paid to third parties for the same service</p>	Assuming the sale price of a property was \$30 million, the disposition fee payable would be 1.0% of \$30 million, or \$300,000
Debt placement fee – payable under the Services Agreement	RMG	US LLC	<p>0.50% of the maximum amount of any debt facility available to the US REIT, the US LLC or any entity which holds assets in which the US REIT or the US LLC has an interest, less any fees paid to third parties for the same service</p> <p>This fee is not payable in relation to the Properties or the Option Properties</p>	Assuming a debt facility of \$25 million and no third party fees, the debt placement fee would be \$125,000
Due diligence fees – payable under the Services Agreement	RMG	US LLC	<p>0.25% of the purchase price of any assets directly or indirectly acquired by the US LLC whether the purchase was from a Reckson entity or from an unaffiliated third party</p> <p>This fee is not payable in relation to the Properties or the Option Properties</p> <p>The US LLC will reimburse RMG for:</p> <ul style="list-style-type: none"> <li>all out-of-pocket expenses incurred by the US Asset Manager in connection with the performance of its obligations; and</li> <li>all other third party costs and expenses relating to the US REIT's operations</li> </ul>	Assuming the purchase price of the asset is \$25 million, the due diligence fee would be \$62,500

## 6.2 ONGOING FEES AND EXPENSES PAYABLE DIRECTLY OR INDIRECTLY BY THE TRUST

Fee	Payable to	Payable by	Description	Example of fee calculation
Property management fees – payable under the Property Management and Leasing Agreement	RMG or an affiliate of RMG	US LLC or the subsidiary of the US LLC which directly owns the property (the Owner)	Property management fee of 3.5% of gross revenues received. The fee is payable monthly	Assuming total gross revenue on all the underlying properties is \$70 million, the annual property management fee payable would be \$2.45 million
Leasing commission – payable under the Property Management and Leasing Agreement	RMG or an affiliate of RMG	The Owner	<p>RMG will be paid a leasing commission based on the rates set out in the footnoted table<sup>(1)</sup></p> <p>The fee is payable upon the execution and delivery of the lease documents</p> <p>RMG will be reimbursed by the Owner for all the out-of-pocket expenses it incurs in connection with the performance of its services to the extent that they are provided for in the approved annual budget or otherwise approved by the Owner</p>	<p>If office space was leased to a new tenant for \$100,000 per annum on Long Island, RMG would be entitled to the following commission:</p> <p>Years 1 to 3: \$7,000 per annum</p> <p>Years 4 to 10: \$3,000 per annum</p> <p>Years 11 on: \$3,000 per annum</p> <p>If the tenancy was renewed by the tenant, RMG would be entitled to an \$3,000 leasing commission per annum or at least 50% of the commission paid to any outside broker used rather than RMG</p>

(1)

### Leasing Commission Table

Location	Leasing commission term	New; expansions	Renewals
Westchester County	1 to 3	6.0%	3.0% for the entire renewal period (but not less than 50% of what the Owner must pay to an outside broker)
	4 to 10	3.0%	
	11 to end	2.9%	
Long Island	1 to 3	7.0%	3.0% for the entire renewal period (but not less than 50% of what the Owner must pay to an outside broker)
	4 to 10	3.0%	
	11 to end	3.0%	
Northern New Jersey	All years	5.0% for entire term	5.0% for entire renewal period
Fairfield County	1 to 5	5.0%	5.0%
	6 to 10	2.5%	2.5%
	11 to end	1.0%	1.0%

## 6.2 ONGOING FEES AND EXPENSES PAYABLE DIRECTLY OR INDIRECTLY BY THE TRUST

Fee	Payable to	Payable by	Description	Example of fee calculation
Construction fees – payable under the Construction Services Agreement	Reckson Construction & Development LLC or another Reckson affiliate (Reckson Construction)	The Owner	Construction-related work carried out by Reckson Construction – 10% of the costs of the improvements (including costs for labour and materials but excluding financing costs)  Construction-related work supervised by Reckson Construction – 3.5% of the costs of the improvements (including costs for labour and materials but excluding financing costs)  The Owner will reimburse Reckson Construction for all out-of-pocket expenses in connection with its obligations under the agreement	Assuming work on a property cost \$5 million, if the work was carried out by Reckson Construction, it would be entitled to a fee of \$500,000. If Reckson Construction supervised the same work, it would be entitled to a fee of \$175,000

### 6.3 FEES

The Responsible Entity is entitled to be paid fees for managing the Trust.

The Responsible Entity may appoint Reckson, its agents, affiliates, related parties or third parties to provide services to the Trust where the Responsible Entity believes such services are in the best interests of Unitholders. Any such arrangements would be on arm's length terms.

The fees which are expected to be payable to the Responsible Entity and various Reckson affiliates during the life of the Trust are set out in the tables above.

### 6.4 OUT-OF-POCKET EXPENSES

The Responsible Entity is entitled to be reimbursed, out of the assets of the Trust, for all expenses it properly incurs in operating the Trust.

To the extent that they are not covered in Section 6.2, these fees include out-of-pocket expenses associated with the initial offer such as establishing and marketing the Trust, underwriting the offering, acquiring the properties, including due diligence and the costs of producing this PDS.

It also includes the routine ongoing expenses referred to in Section 6.2 such as Registry services, ASX listing fees, investor communications, taxes and bank fees, borrowing costs, preparation of financial statements and tax returns, audit, insurance, compliance costs and other expenses.

You should also note that expenses incurred by Reckson affiliates in the United States are also reimbursable in the manner described in Section 6.2.

### 6.5 GST

If the Responsible Entity is or becomes liable to pay GST on fees not described in this PDS as GST inclusive, it is entitled to be reimbursed out of the assets of the Trust for the amount of GST. If the Responsible Entity is entitled to be reimbursed for an expense or outgoing incurred in connection with its role as responsible entity, the amount of the reimbursement will be net of any input tax credits which may be claimed by it in relation to that expense or outgoing.



**SECTION SEVEN**  
PRO FORMA FINANCIAL  
FORECASTS

## SECTION 7 PRO FORMA FINANCIAL FORECASTS

This Section contains the Pro Forma Financial Forecast Consolidated Income Statements for the Trust for the period from Allotment to 31 December 2005 and the year ending 31 December 2006 and the Pro Forma Consolidated Balance Sheet as at Allotment, collectively the Pro Forma Financial Forecasts. Investors should be aware that future events cannot be predicted with certainty and as a result, deviations from the Pro Forma Financial Forecasts are to be expected. The following Pro Forma Financial Forecasts should be read in conjunction with the accounting policies detailed in Section 7.3, the key assumptions set out in Section 7.4, the sensitivity analysis in Section 7.5 and the risks outlined in Section 3.2. The Responsible Entity can give no assurance that the Pro Forma Financial Forecasts will be achieved or that the Trust will be able to make distributions during or after the Forecast Period at the distribution levels forecast for the Forecast Period. This is because the Trust's actual financial results and distributions will be affected by many factors that are beyond the Responsible Entity's and its Directors' control. A number of these factors are set out in Section 3.2.

### 7.1 PRO FORMA CONSOLIDATED BALANCE SHEET

	At Allotment	
	US\$ million	A\$ million <sup>(1)</sup>
<b>Current Assets</b>		
Cash	0.2	0.2
<b>Total Current Assets</b>	<b>0.2</b>	<b>0.2</b>
<b>Non-Current Assets</b>		
Investments in US LLC		
Interest in Property Assets of US LLC <sup>(2)</sup>	287.0	372.1
Other Assets of LLC	8.3	10.7
Less: Share of US LLC's Liabilities	(155.3)	(201.3)
Net Investment in US LLC	140.0	181.5
<b>Total Non-Current Assets</b>	<b>140.0</b>	<b>181.5</b>
<b>Total Assets</b>	<b>140.1</b>	<b>181.7</b>
<b>Non-Current Liabilities</b>		
Loan from US LLC	11.0	14.3
Deferred Withholding Tax Liability	0.6	0.8
<b>Total Liabilities</b>	<b>11.6</b>	<b>15.1</b>
<b>Net Assets</b>	<b>128.5</b>	<b>166.6</b>
<b>Unitholders' Funds</b>	<b>128.5</b>	<b>166.6</b>
Number of Units on Issue		263.4
Net Tangible Assets per Unit at Allotment		\$0.63
Net Tangible Assets per Unit post Final Instalment <sup>(4)</sup>		\$1.00
<b>Gearing Ratio (Debt to Total Assets)</b>		<b>7.9%</b>
<b>Underlying Gearing Ratio (Debt to Total Assets)<sup>(3)</sup></b>		<b>54.0%</b>

Totals may vary due to rounding

(1) Assuming an exchange rate of US\$0.77 per A\$1.00 at Allotment

(2) Includes capitalised acquisition costs and stated at fair market value

(3) Includes share of all US LLC external debt

(4) Assumes that the carrying value of all properties at the time of Final Instalment is equal to the fair value of each property, as determined by CBRE in its July 2005 valuations

#### ASSUMPTIONS ADOPTED IN PREPARING THE PRO FORMA CONSOLIDATED BALANCE SHEET

The Pro Forma Consolidated Balance Sheet at Allotment assumes the following pro forma transactions take place on that date:

- 263.4 million partly paid Units are issued at \$1.00 per Unit under the Offer and are allotted on 21 September 2005;
- the Initial Instalment of \$0.65 per Unit is payable on Application raising \$171.2 million;
- the acquisition of interests in the US LLC for \$356.7 million plus Sponsor Fees and other acquisition costs of \$10.0 million (excludes \$0.2 million credit enhancement fee);
- borrowings of \$206.1 million plus debt establishment costs of \$1.2 million in the US LLC;
- estimated issue costs of \$9.0 million and credit enhancement fee of \$0.2 million, being recognised as a reduction of the proceeds of Unitholders' funds to which the costs relate;
- cash balance of \$0.2 million for Trust working capital purposes;
- revaluation of the US LLC property assets to fair value, based on July 2005 valuation by CBRE of \$372.1 million.

## 7.2 PRO FORMA FORECAST CONSOLIDATED INCOME STATEMENTS

	Period from Allotment to 31 December 2005		For year ending 31 December 2006	
	US\$ million	A\$ million <sup>(1)</sup>	US\$ million	A\$ million <sup>(1)</sup>
<b>Income</b>				
Share of Net Income of US LLC				
Rental Income	10.8	14.0	51.9	67.9
Property Expenses	(4.2)	(5.5)	(21.9)	(28.7)
Gain from Investment Property Fair Value				
Adjustments on Property Acquisitions <sup>(2)</sup>	4.1	5.4	8.3	10.8
Borrowing Cost Expense	(2.2)	(2.9)	(11.6)	(15.1)
<b>Net Income from US LLC</b>	<b>8.5</b>	<b>11.1</b>	<b>26.7</b>	<b>34.9</b>
<b>Expenses</b>				
Management Fee Expense	(0.4)	(0.5)	(1.6)	(2.1)
Borrowing Cost Expense	(0.1)	(0.2)	(0.5)	(0.6)
Other Expenses	(0.1)	(0.1)	(0.5)	(0.6)
<b>Total Expenses</b>	<b>(0.6)</b>	<b>(0.7)</b>	<b>(2.5)</b>	<b>(3.3)</b>
<b>Net Profit before Withholding Tax Expense<sup>(2)</sup></b>	<b>8.0</b>	<b>10.3</b>	<b>24.1</b>	<b>31.6</b>
Deferred Withholding Tax Expense	(1.2)	(1.5)	(3.1)	(4.1)
Withholding Tax Expense	(0.2)	(0.3)	(0.8)	(1.0)
<b>Net Profit after Withholding Tax Expense<sup>(1)</sup></b>	<b>6.6</b>	<b>8.5</b>	<b>20.2</b>	<b>26.5</b>
Transfer (to)/from Unitholders' Funds <sup>(3)</sup>	(3.5)	(4.6)	(7.3)	(9.6)
<b>Distribution to Unitholders</b>	<b>3.0</b>	<b>3.9</b>	<b>12.9</b>	<b>16.9</b>
Cash Distribution per Unit (cents)	1.15	1.49	4.90	6.41
Distribution Yield <sup>(4)</sup>		8.20%		8.70%
Foreign Tax Credit per Unit (cents) <sup>(5)</sup>	0.09	0.12	0.30	0.39
Distribution Yield assuming Full Utilisation of Forecast Foreign Tax Credit <sup>(6)</sup>		8.86%		9.23%

Totals may vary due to rounding

(1) Assumes an average exchange rate of US\$0.77 per A\$1.00 for the period from Allotment to 31 December 2005 and US\$0.76 per A\$1.00 for the year ending 31 December 2006

(2) The purchase price for the Properties to be acquired in Tranches 1, 2 and 3 is fixed. The Properties will be recorded at their fair market value at the date of acquisition. The excess of the fair market value over the total cost of acquisition will be recognised as a gain in the Trust's equity accounted profit from the US LLC, in accordance with AASB 140 Investment Property.

The Pro Forma Forecast Consolidated Income Statements assume that the fair market value of each property at the date of acquisition under Tranche 1, Tranche 2 and Tranche 3 is equal to the value of each property as determined by CBRE in its valuations dated July 2005. The Trust's equity accounted share of the difference between the CBRE July 2005 valuation and the total cost of acquisition has been recognised as a gain in the Trust's Pro Forma Forecast Consolidated Income Statements for the period from Allotment to 31 December 2005 for Tranche 1 and the year ending 31 December 2006 for Tranches 2 and 3. Details of the Trust's share of the assumed gains and the period in which they have been recognised are outlined in the table below:

	Properties (A\$ million)		
	Tranche 1	Tranche 2	Tranche 3
Date of Acquisition	21 Sep 2005	5 Jan 2006	1 Oct 2006
<b>Fair Value</b>	<b>372.1</b>	<b>76.5</b>	<b>133.8</b>
Purchase Price	356.7	70.0	122.9
Acquisition Costs	10.0	1.4	2.5
Capitalised Property Costs	–	2.7	–
<b>Total Cost of Acquisition</b>	<b>366.7</b>	<b>74.1</b>	<b>125.4</b>
<b>Net Gain Arising on Property Acquisitions</b>	<b>5.4</b>	<b>2.4</b>	<b>8.4</b>

The Pro Forma Forecast Consolidated Income Statements assume that, other than the initial net gain arising from the acquisition of each property under Tranche 1, Tranche 2 and Tranche 3, there is no subsequent gain or loss arising from future changes in the fair market value of each property to 31 December 2006. The Responsible Entity has made this assumption as it does not believe that there is any reasonable basis to make forecasts over the period to 31 December 2006 in relation to future capitalisation rates, property yields or general market conditions, all of which are outside its control.

The Pro Forma Forecast Consolidated Income Statements do not include movements in the market values of derivatives as required by the introduction of AASB 139 Financial Instruments: Recognition and Measurement as the Responsible Entity does not believe there is any reasonable basis to make forecasts in relation to future market conditions, which are outside its control. For these reasons, the Responsible Entity is unable to accurately quantify the impact on the Pro Forma Forecast Consolidated Income Statements of movements in the market value of derivatives

(3) Refer to Section 7.4 for details relating to transfer (to)/from Unitholders' funds

(4) Yield calculated on distributions per Unit divided by the average equity contributed per Unit and annualised in 2005

(5) Refer to Section 8.4 for details relating to utilisation of foreign tax credit

(6) Yield calculated on distributions and foreign tax credit per Unit, divided by the average equity contributed per Unit and annualised in 2005

### 7.3 PRINCIPAL ACCOUNTING POLICIES

The key policies, which have been adopted in the preparation of the Pro Forma Financial Forecasts, are outlined below:

#### BASIS OF PREPARATION

The Pro Forma Forecast Consolidated Income Statements and Pro Forma Consolidated Balance Sheet (Pro Forma Financial Forecasts) have been prepared on a going concern basis adopting the accruals and historical cost basis of accounting, except for the revaluation of certain non-current assets and financial instruments, and in accordance with the requirements of the Constitution, applicable Australian Accounting Standards being Australian equivalents to International Financial Reporting Standards (IFRS) issued by the Australian Accounting Standards Board and Urgent Issues Group Interpretations that apply from 1 January 2005 and the Corporations Act.

#### PRINCIPLES OF CONSOLIDATION

The financial information of the Trust comprises all of the assets, liabilities and results of the controlled entity for the Forecast Period. The effects of inter-entity transactions and balances have been eliminated in full.

#### EQUITY METHOD OF ACCOUNTING

Property investments are held via the US LLC over which the Trust (through the US REIT) exercises joint control. Neither the Trust nor Reckson individually controls the US LLC, irrespective of their ownership interest. Accordingly the Trust has adopted the equity method of accounting for its investment in the US LLC. Under this method, the consolidated entity's share of the net profit or loss of the US LLC is recognised in the Pro Forma Forecast Consolidated Income Statements.

#### PROPERTY INVESTMENTS

The Properties have been recorded at fair market value. After initial recognition, the Trust will recognise a gain/loss in its equity accounted profit of the US LLC in respect of any material difference between the carrying value and the fair value in the period in which it arises. The Properties have been independently valued on acquisition, with the excess of fair value compared to initial cost being recorded in the Pro Forma Forecast Consolidated Income Statements of the US LLC in the period in which the property acquisitions take place.

When a material change in the value of the property occurs each property will be revalued to its fair market value at each reporting period. This change in value will then be recognised by the Trust in its net equity accounted profit of the US LLC.

Land and buildings, including plant and equipment, have the function of a single investment and are regarded as a composite asset. As the Trust has adopted the fair value method, AASB 140 Investment Property does not require depreciation to be recorded.

#### LEASE INCENTIVES

In the event that the US LLC provides lease incentives in relation to operating leases, such incentives are recognised as an asset by the US LLC. The aggregate cost of incentives is recognised as a reduction in revenue by the US LLC on a straight-line basis.

#### REVENUE

The US LLC recognises rental income from operating leases on a straight-line basis over the term of the relevant lease. Other revenue is brought to account on an accruals basis in accordance with the substance of the relevant arrangement.

#### EXPENDITURE

Expenditure is brought to account on an accruals basis.

#### FOREIGN CURRENCY TRANSLATION

##### (a) Transactions

Foreign currency transactions are initially translated into Australian dollars, being the functional and presentation currency of the Trust at the rate of exchange at the date of the transactions. At balance date, amounts payable and receivable in foreign currencies are translated to Australian currency at rates of exchange current at that date. Resulting exchange differences are brought to account in determining the net profit for the financial year.

##### (b) Foreign Controlled Entity

As the foreign controlled entity is self-sustaining, its assets and liabilities are translated into Australian currency at rates of exchange current at balance date, while its income and expenditure are translated at the average rates ruling during the financial year. Exchange differences arising on translation are taken to the foreign currency translation reserve.

## DERIVATIVES

The Trust is exposed to changes in interest rates and foreign currency rates. The US LLC has entered into predominantly fixed rate funding to mitigate exposure to increasing interest rates. The Trust will enter into foreign exchange contracts to hedge against the risk of adverse movements in exchange rates. Refer to Section 2.10 for further information about the Trust's hedging policy.

All derivatives will be recognised at fair value in the balance sheet, with changes in fair value during the period recognised in the income statement unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in income statement depends on the nature of the hedge relationship. The Trust has not yet assessed whether the foreign exchange hedging arrangements to be entered into by the Trust will be deemed to be effective hedges for accounting purposes. The income statement may therefore experience volatility due to the revaluation of derivatives. However, this will not affect the cash available to make distributions to Unitholders.

## BORROWINGS

Borrowings are recorded initially at fair value, net of transaction costs. Subsequent to initial recognition, borrowings are measured at amortised cost with any difference between the initial recognised amount and the redemption value being recognised in the income statement over the period of the borrowing using the effective interest rate method.

## DEFERRED TAX LIABILITIES

A deferred withholding tax liability is recognised in respect of the Trust's interest in the difference between the tax cost base and the accounting carrying value of the investment properties held by the US LLC arising subsequent to acquisition. The difference relates primarily to tax depreciation claimed and accounting revaluations of the investment properties, subsequent to acquisition, as well as straight-lining of rental income. The deferred tax liability has been calculated based on the current US rate of withholding tax of 15%.

## 7.4 KEY FORECAST ASSUMPTIONS

The material best estimates assumptions that the Responsible Entity has made to prepare the Pro Forma Financial Forecasts are set out below. While the Responsible Entity considers these assumptions to be appropriate and reasonable at the time of preparation of this PDS, investors should appreciate that many factors which may affect results are outside the control of the Responsible Entity and its Directors or may not be capable of being foreseen or accurately predicted. Accordingly, actual results may differ from forecasts.

Investors are advised to review the assumptions and Pro Forma Financial Forecasts and make their own independent assessment of the future performance and prospects of the Trust.

The forecasts have been reviewed by Deloitte Corporate Finance Pty Limited (contained in Section 8.2). Paul, Hastings, Janofsky & Walker LLP has prepared a report on US taxation implications (contained in Section 8.3), Deloitte Touche Tohmatsu Limited has prepared a report on Australian taxation implications (contained in Section 8.4). None of these parties guarantees the future performance or distribution of the Trust.

## THE OFFER

The Offer is expected to be implemented as proposed and is completed on 21 September 2005, fully subscribed. The proceeds of the Offer are used as set out in Section 2.8.

## PROPERTY ACQUISITIONS

Properties will be acquired through the US LLC in three tranches. As an indirect investor in the US LLC, the Trust will have a 75% interest in the US LLC at listing of the Trust and upon the settlement of each of the separate tranches.

Acquisition summary	Properties (A\$ million)			Total <sup>(1)</sup>
	Tranche 1	Tranche 2	Tranche 3	
Settlement Date	Allotment	January 2006	October 2006	
Purchase of Interests in Properties	356.7	70.0	122.9	549.5
Acquisition Costs of Interests in Properties	10.0	1.4	2.5	14.0
Capitalisation of Property Costs	0.0	2.7	0.0	2.7
<b>Total<sup>(1)</sup></b>	<b>366.7</b>	<b>74.1</b>	<b>125.4</b>	<b>566.2</b>

(1) Totals may vary due to rounding

CBRE, an independent qualified appraiser, has carried out the appraisals. A summary of the appraiser's reports is provided in Section 8.1.

It is assumed that no Properties will be sold during the Forecast Period. Notwithstanding this assumption, Unitholders should be aware that the Responsible Entity may approve the sale of Properties if the Responsible Entity believes it is in the best interest of Unitholders.

The forecast assumes that no additional properties are acquired during the Forecast Period.

#### CHANGE IN FAIR VALUE OF INVESTMENT PROPERTIES

The purchase price for the Properties to be acquired in Tranches 1, 2 and 3 is fixed. The Properties will initially be recorded at their fair market value at the date of acquisition. The excess of the fair market value over the total cost of acquisition will be recognised as a gain in the Trust's equity accounted profit from the US LLC, in accordance with AASB 140 Investment Property.

The Pro Forma Forecast Consolidated Income Statements assume that the fair market value of each property at the date of acquisition under Tranche 1, Tranche 2 and Tranche 3 is equal to the value of each property as determined by CBRE in its valuations dated July 2005. The Trust's equity accounted share of the difference between the CBRE July 2005 valuation and the total cost of acquisition has been recognised as a gain in the Trust's Pro Forma Forecast Consolidated Income Statements for the period from Allotment to 31 December 2005 for Tranche 1 and the year ending 31 December 2006 for Tranches 2 and 3. Details of the Trust's share of the assumed gains and the period in which they have been recognised are outlined in the table below.

	Properties (A\$ million)		
	Tranche 1	Tranche 2	Tranche 3
Date of Acquisition	21 Sep 2005	5 Jan 2006	1 Oct 2006
<b>Fair Value</b>	<b>372.1</b>	<b>76.5</b>	<b>133.8</b>
Purchase Price	356.7	70.0	122.9
Acquisition Costs	10.0	1.4	2.5
Capitalised Property Costs	–	2.7	–
<b>Total Cost of Acquisition</b>	<b>366.7</b>	<b>74.1</b>	<b>125.4</b>
<b>Net Gain Arising on Property Acquisitions</b>	<b>5.4</b>	<b>2.4</b>	<b>8.4</b>

The Pro Forma Forecast Consolidated Income Statements assume that, other than the initial net gain arising from the acquisition of each property under Tranche 1, Tranche 2 and Tranche 3, there is no subsequent gain or loss arising from future changes in the fair market value of each property to 31 December 2006. The Responsible Entity has made this assumption as it does not believe that there is any reasonable basis to make forecasts over the period to 31 December 2006 in relation to future capitalisation rates, property yields or general market conditions, all of which are outside its control.

While the application of AASB 140 Investment Property may introduce volatility into the income statement arising from the revaluation of properties through the income statement, this will not affect the cash flows from operations and hence the distributions paid to Unitholders.

#### NET PROPERTY INCOME

Property income has been forecast on a space-by-space basis for each property, based on existing leases, forecasts of future market rentals from the rollover of existing tenants into new leases and future leasing of any vacant or vacated space, with allowances for delays in re-letting after a lease expires.

In excess of 97% and 87% of the net rental income for the forecast periods ending 31 December 2005 and 31 December 2006 respectively will be generated from contractual commitments.

#### For year ending 31 December 2006

Average % Leased	92.3%
Average Renewal Forecast	34% <sup>(1)</sup>
New Lease Downtime	9.4 months

(1) As the forecast is predicated on a space-by-space basis, average renewal probability can be volatile. The Properties achieved an 81% average renewal rate for the year ending 31 December 2004

Property expenses are forecast to increase by, on average, approximately 3.8% for the year ending 31 December 2006.

Forecast property expenses consist of fees, taxes and other property expenses in relation to investment properties. The forecasts are based on an individual assessment of both recoverable and non-recoverable expenses for each property.

### US LLC BORROWINGS (100% BASIS)

It is anticipated that the subsidiaries of the US LLC, which will indirectly own the acquired Properties, will enter into or assume loan agreements to provide a total of US\$319.3 million of funding comprised of three or more separate loans. The Trust will share in the economic effect of these borrowings to the extent of its ownership interest in the US LLC.

It is proposed that the Tranche 1 and Tranche 3 borrowings totalling US\$247.6 million will be predominantly financed by a five year interest only fixed rate commercial mortgage backed security offer (the "Fixed Rate Loans"). Each of the Fixed Rate Loans is intended to have an initial loan to value ratio of no greater than 80% and a loan to value ratio of no greater than 75%.

It is proposed that the Tranche 2 borrowings of US\$71.7 million be financed by a five year interest only floating rate commercial mortgage backed security offer (the "Floating Rate Loan"). The Floating Rate Loan is intended to be drawn upon after the acquisition of the Tranche 1 Properties at or immediately prior to the purchase of the Tranche 2 Properties. The Floating Rate Loan is intended to be secured by a first mortgage lien on approximately four of the Tranche 1 Properties and approximately two of the Tranche 2 Properties.

Borrowings of US LLC (100% basis)	Tranche 1 on Allotment US\$ million	Tranche 2 5 January 2006 US\$ million	Tranche 3 Final Instalment 1 October 2006 US\$ million	Total US\$ million
Fixed Debt	196.1	0.0	63.3 <sup>(1)</sup>	259.4
Floating Debt	0.0	71.7	(11.8) <sup>(1)</sup>	59.9
Establishment Costs	1.3	0.7	0.5	2.5
Trust Interest	75%	75%	75%	75%
Maturity	5 years	5 years	4 years	–
Fixed Interest Rate (pa)	5.19%	–	5.28%	–
Floating Interest Rate (pa)	–	4.90%	–	–

(1) Reflects a floating to fixed rate swap of US\$11.8 million in debt upon receipt of the Final Instalment

Following completion of Tranche 2, the underlying gearing of the Trust is forecast to be 60.1% assuming that all Properties are carried at independent appraisal as determined by CBRE in its July 2005 independent valuations and assuming tenancing costs and capital expenditure incurred over the Forecast Period are funded through borrowings under a line of credit and capitalised into the value of the investment property at the time of the expenditure. Upon receipt of the Final Instalment the underlying gearing of the Trust is expected to be 54.5% (assuming that there is no change in the fair value of properties acquired from the values determined by CBRE in its July 2005 valuations).

The borrowings are interest only loans with principal repayable on maturity.

Transaction costs and ongoing working capital requirements are expected to be financed through a floating rate line of credit facility of approximately US\$30 million.

### INITIAL BORROWING COSTS

Initial costs in respect of borrowings to fund the acquisitions are offset against the fair value of borrowings, and recognised in the income statement over the period of the borrowing using the effective rate interest method.

### EXCHANGE RATE ASSUMPTIONS AND FOREIGN CURRENCY HEDGES

#### Exchange rate assumptions

The Pro Forma Consolidated Balance Sheet assumes an exchange rate of US\$0.77 per A\$1.00 at the time of Allotment.

The Trust will implement foreign currency hedging to protect forecast US dollar distributions from potential adverse movements in the US dollar/Australian dollar exchange rate. Income has been translated at an average rate of US\$0.77 per A\$1.00 for the year ending 31 December 2005 and US\$0.76 per A\$1.00 for the year ending 31 December 2006.

#### Economic income hedge

The Trust will implement foreign currency hedging as set out in Section 2.10 to protect forecast US dollar distributions from potential adverse movements in the US dollar/Australian dollar exchange rate. For the purposes of forecasting, forecast US dollar distributions from the US REIT have been translated at the proposed hedged rates.

#### Economic hedge fair values

Under AASB 139 Financial Instruments: Recognition and Measurement, cross currency swaps which have not expired at balance dates will be required to be carried at fair value on the balance sheet with changes in fair value being recorded in the income statement unless the derivatives are designated and effective as hedging instruments, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship. The forecast does not include movements in the market value of derivatives as the Directors of the Responsible Entity do not believe there is a reasonable basis to make forecasts in relation to market conditions on matters that are outside their control. While the application of AASB 139 Financial

Instruments: Recognition and Measurement on this matter will introduce volatility into the forecast financial information this will not affect the operating cash flows and hence the distributions paid to Unitholders.

#### RESPONSIBLE ENTITY'S FEE

The Responsible Entity is entitled to a management fee of 0.45% per annum of the Trust's direct or indirect proportionate interest in properties and other assets, payable quarterly based on their fair market value at the beginning of the relevant half year as adjusted for acquisitions and dispositions on a current basis. Payments in respect of the quarters ending 31 March and 30 September are based on the value of all assets at the beginning of the previous half year as adjusted for acquisitions and dispositions on a current basis and will represent a partial payment on account for the current half year.

#### OTHER TRUST EXPENSES

The Trust will incur operating expenses including annual listing fees, registry charges, custodian fees, legal, audit and tax fees, marketing costs, postage and printing costs and other miscellaneous expenses. These amounts have been forecast by taking into account factors likely to influence the level of these fees, charges and costs, including the Trust's market capitalisation and gross assets.

#### FUTURE CAPITAL RAISING

It has been assumed that no capital raisings in addition to the Offer will be undertaken during the Forecast Period.

#### ISSUE COSTS

Issue costs associated with the Offer are estimated at \$11.9 million (including credit enhancement fee). This amount will be paid out of the proceeds of the Issue. These costs are recognised directly in Unitholders' funds as a reduction of the proceeds of Units.

#### DISTRIBUTION REINVESTMENT PLAN (DRP)

The Constitution makes provision for a DRP to be introduced. It has been assumed that the DRP is not operational during the Forecast Period.

#### DISTRIBUTIONS

Distributions will be paid within two months of each half year end. The half year ends are 30 June and 31 December. The first distribution will relate to the period from Allotment to 31 December 2005.

The reconciliation between net profit after tax expense and distribution to Unitholders for the Forecast Period is summarised below:

	Period from Allotment to 31 December 2005		Financial year ending 31 December 2006	
	US\$ million	A\$ million	US\$ million	A\$ million
<b>Net Profit after Tax Expense</b>	<b>6.6</b>	<b>8.5</b>	<b>20.2</b>	<b>26.5</b>
Plus: Deferred Tax Expense	1.2	1.5	3.1	4.1
Plus: Mortgage and Bond Amortisation	0.1	0.1	0.3	0.4
Less: Straight-line Rental Adjustments	(0.6)	(0.8)	(2.3)	(3.1)
Less: Gain from Property Fair Value Adjustments on Property Acquisitions	(4.1)	(5.4)	(8.3)	(10.8)
Transfer (to)/from Unitholders' Funds	(0.0)	(0.0)	(0.1)	(0.2)
<b>Subtotal</b>	<b>(3.5)</b>	<b>(4.6)</b>	<b>(7.3)</b>	<b>(9.6)</b>
<b>Distribution to Unitholders<sup>(1)</sup></b>	<b>3.0</b>	<b>3.9</b>	<b>12.9</b>	<b>16.9</b>

(1) Totals may vary due to rounding

The estimated tax deferred percentage of distributions is at least 75% for the period to 30 June 2006 and at least 70% for the six months to 31 December 2006. For further information on the Australian tax treatment of the distributions, refer to Section 8.4.

#### TAXATION

Provided certain requirements are met, the Trust is not liable to pay Australian income tax on the Trust's taxable income. Tax will be paid in the hands of Unitholders, reduced in the event that foreign tax credit can be utilised. A report on the Australian taxation treatment of the Trust has been prepared by Deloitte Touche Tohmatsu Limited and is contained in Section 8.4. US tax distributions made to the Trust by the US REIT from its "earnings and profits" that are not attributable to capital gains ("ordinary dividends") are subject to US withholding tax at the rate of 15% under the current Treaty, assuming the Trust is a "listed Australian property trust" (as defined in the Treaty) and any such ordinary dividend is subject to Australian tax as the income of a resident in the hands of the Unitholders. Distributions that are ordinary dividends made by the US REIT in excess of its "earnings and profits" will, for US tax purposes, be treated as non-taxable returns of capital to Unitholders to the extent of the Trust's adjusted tax basis in the shares of the US REIT. Although such distributions will generally be subject to US withholding tax

(unless the Trust is able to obtain a withholding certificate permitting withholding to be reduced or eliminated), the Trust may seek a refund of the tax withheld from the Internal Revenue Service if it is subsequently determined that such distributions exceeded the US REIT's current and accumulated earnings and profits. Such distributions in excess of the US REIT's earnings and profits and the Trust's adjusted basis in the shares of the US REIT will be treated as a gain from the sale or exchange of a capital asset. Any such gains attributable to the United States Real Property Interests will be subject to US federal income tax and withholding pursuant to the Foreign Investment in Real Property Tax Act. For the US REIT to qualify as a REIT, no more than 50% in value of its shares of beneficial interest may be owned, directly or indirectly (including Unitholders), by five or fewer individuals during the last half of a taxable year (other than the first year for which an election to be treated as a REIT has been made) or during a proportionate part of a shorter taxable year.

The REIT's articles contain certain restrictions and notification requirements in relation to ownership limits of shares in the capital of the US REIT.

A report on the US taxation treatment of the US REIT has been prepared by Paul, Hastings, Janofsky & Walker LLP and is contained in Section 8.3.

The financial forecasts assume any changes in Australian or US taxation legislation will not materially affect the Trust.

It should be noted that many factors which may affect the taxation of the Trust's income and distribution to Unitholders are outside the control of the Responsible Entity and its Directors or may not be capable of being foreseen or accurately predicted. Accordingly, actual results may differ from forecasts.

#### DEFERRED TAX

A deferred withholding tax liability is recognised in respect of the Trust's interest on the difference between the tax cost base and the accounting carrying value of the investment properties held by the US LLC arising subsequent to acquisition. The difference relates primarily to tax depreciation claimed and accounting revaluations of the investment properties, subsequent to acquisition, as well as straight lining of rental income. The deferred tax liability has been calculated based on the current US rate of withholding tax of 15%.

#### GST

The financial forecasts have been prepared on the assumption that no GST is payable in respect of distributions paid by the Trust. Further, it is assumed that any GST liability payable will be included as part of the assumed expenses of the Trust.

#### TENANTING COSTS AND CAPITAL EXPENDITURES

Allowance has been made for forecast tenanting costs and capital expenditure commitments consistent with the forecasts made by Reckson asset managers. The Trust's share of the tenanting costs and capital expenditure commitments during the Forecast Period are detailed in the following table:

<b>Period</b>	<b>US\$ million</b>
Period from Allotment to 31 December 2005	2.3
Year to 31 December 2006	6.0

### 7.5 SENSITIVITY ANALYSIS

Investors should be aware that the Pro Forma Financial Forecasts might not be met for a variety of reasons. To assist investors in understanding the significance of key assumptions on the forecast returns of the Trust, the table below sets out the effect of a change in several assumptions.

Investors should note that the sensitivity analysis is intended to provide a guide only and variations in actual performance may exceed the ranges shown. Movement in other assumptions may offset or compound any one variable beyond the extent shown.

The table below details the decrease in forecast earnings (cents per Unit) for changes in certain assumptions:

<b>Change in forecast assumption</b>	<b>Period from Allotment to 31 December 2005</b>		<b>Year ending 31 December 2006</b>	
	<b>US cents</b>	<b>A cents</b>	<b>US cents</b>	<b>A cents</b>
Increase in the portfolio vacancy rate by 5.0%	(0.002)	(0.002)	(0.010)	(0.013)
Decrease in passing rentals by 1.0%	(0.000)	(0.000)	(0.000)	(0.000)
Decrease in market rental growth of 2.0%	0.000	0.000	(0.000)	(0.000)
Increase in interest rates of 1.0%	(0.000)	(0.000)	(0.002)	(0.003)
Decrease in interest rates of 1.0%	0.000	0.000	0.002	0.003

This page has been left blank intentionally.



# SECTION EIGHT

## INDEPENDENT EXPERT REPORTS

## SECTION 8 INDEPENDENT EXPERT REPORTS

### 8.1 SUMMARY OF INDEPENDENT APPRAISALS

VALUATION & ADVISORY SERVICES



560 Lexington Avenue, 16<sup>th</sup> Floor  
New York, NY 10022

T 212-207-6102

F 212-207-6069

[www.cbre.com](http://www.cbre.com)

July 22, 2005

**The Directors- Reckson Australia Management Ltd**  
Sydney, Australia

**Re: Summary of Appraisal Reports**  
**25 Suburban Office Buildings,**  
**New York, New Jersey, and Connecticut**

Dear Ladies and Gentlemen:

#### 1. INSTRUCTIONS:

At your request, CB Richard Ellis, Inc. ("CBRE") has prepared this letter summarizing the valuation results from our complete, self-contained appraisal reports ("Reports"). The purpose of our Reports was to render an opinion of market value of the leased fee interest in 24 properties and the leasehold interest in one property as of July 1, 2005. The Reports are intended to comply with the reporting requirements set forth under Standards Rule 2-2(a) of the U.S. Standards of Professional Appraisal Practice. In each of the complete, self-contained appraisals, CBRE considers all applicable approaches to value. The value conclusions are subject to the assumptions and limiting conditions contained in each report and reflect all information known by the appraisers of CBRE who worked on the valuation of the subject properties and prevailing market conditions as of July 1, 2005.

The Reports were also prepared in conformance with our interpretation of the guidelines and recommendations set forth in the Uniform Standards of Professional Appraisal Practice (USPAP), the requirements of the Code of Professional Ethics and Standards of Professional Appraisal Practice of the Appraisal Institute, The Financial Institution Reform, Recovery, and Enforcement Act of 1989 (FIRREA).

#### 2. RELIANCE ON THIS LETTER:

For purposes of this Product Disclosure Statement, we have prepared this letter to summarize our Reports and to outline key factors, which have been considered in arriving at our opinions of value. This letter alone does not contain the necessary data and support included in our Reports. For further information and reliance, we recommend the reader to review the contents of each complete, self-contained Report.

CBRE Reports contain market information with respect to the specific market where each property is located. Our Reports estimate value as of the date of value only which is July 1, 2005. The appraisals and market information are not guarantees or predictions of the future and must be read in light of the following:

- The Reports and the conclusions regarding appraised value are based upon factual information set forth within each report. While CBRE has endeavored to assure the accuracy of the factual information, it has not independently verified all information provided by (a) Reckson Entities and (b) the governments of the United States with respect to state, county and municipality in which each

property is located (primarily statistical information relating to market conditions) and (c) any other sources of market data and statistics cited in the reports. CBRE believes that every investor before making an investment decision in of the subject should review the Reports to see the complexity of the methodology and the variables involved.

- The primary valuation methodologies used by CBRE in appraising each property, the Income Capitalization Approach (Discounted Cash Flow Analysis and the Direct Capitalization Methodology), are based upon an estimation of future results and are not predictions. These valuation methodologies are summarized later in this letter and also in depth within our Reports. Each methodology begins with a set of assumptions as to the projected income and expenses of the subject properties and future economic conditions in their local markets. The income and expense figures are mathematically extended with adjustments for estimated changes in economic conditions and lease terms. The result is the best estimate of value CBRE can produce, but it is an estimate and not a prediction or guarantee and it is fully dependent upon the accuracy of the assumptions as to income, expense and market conditions. Basic assumptions for each property are set forth in a summary table later in this letter and in depth in each of our Reports. Our value conclusions speak only of the date of value and subsequent market changes can impact value estimates.
- The secondary valuation approaches utilized by CBRE in appraising each property were the Sales Comparison Approach and the Cost Approach. The Sales Comparison Approach compares actual sales of similar properties to the subject by adjusting the comparables for differences which exist between them and the subject. The Cost Approach estimates the value of the land and adds to this the depreciated value of the improvements. The Cost Approach, although considered, is not always employed in the valuation of income producing properties. These two approaches generally lend support to the value arrived at in the Income Capitalization Approach.
- Our Reports are based upon the most current information available at the time that each appraisal was prepared. CBRE accepts no responsibility for subsequent changes in information as to income, expenses or market conditions. Any subsequent change in lease terms will also have a corresponding change to the value. We make no representation or warranties regarding the accuracy of the property data utilized in the Report which includes but is not limited to rent rolls, operating statements, and lease terms, and advise the user of the Reports to perform their own due diligence.



**3. BRIEF DESCRIPTION OF THE PROPERTIES:**

The office property portfolio is summarized in the following table.

<b>Property Name And Location</b>	<b>GLA (SF)</b>	<b>Subject Occupancy</b>
50 Marcus Drive Melville, NY	163,763	100.0%
660 White Plains Rd. Tarrytown, NY	279,840	91.5%
80 Grasslands Rd. Elmsford, NY	87,613	100.0%
580 White Plains Rd. Tarrytown, NY	179,329	69.5%
560 White Plains Rd. Tarrytown, NY	127,059	88.3%
555 White Plains Rd. Tarrytown, NY	124,679	85.2%
505 White Plains Rd. Tarrytown, NY	26,330	92.6%
33-35 Pinelawn Road Melville, NY	113,848	95.4%
200 Broadhollow Rd. Melville, NY	69,872	100.0%
1660 Walt Whitman Rd. Melville, NY	77,151	87.0%
520 Broadhollow Rd. Melville, NY	85,835	81.0%
88 Duryea Rd. Melville, NY	26,367	100.0%
100 Grasslands Rd. Elmsford, NY	67,454	100.0%
150 Motor Parkway Hauppauge, NY	193,554	94.0%
300 Motor Parkway Hauppauge, NY	54,254	88.0%
55 Charles Lindbergh Blvd. Uniondale, NY	214,581	100.0%
492 River Rd. Nutley, NJ	130,009	100.0%
6900 Jericho Turnpike Syosset, NY	100,847	96.8%
6800 Jericho Turnpike Syosset, NY	207,583	99.2%
300 Executive Drive West Orange, NJ	124,777	94.0%
200 Executive Drive West Orange, NJ	107,224	95.0%
100 Executive Drive West Orange, NJ	93,665	85.6%
10 Rooney Circle West Orange, NJ	70,716	78.9%
225 High Ridge Rd. Stamford, CT	231,013	99.0%
710 Bridgeport Ave. Shelton, CT	452,414	72.0%

**4. VALUATION RATIONALE:**

In arriving at our opinions of market value, we have placed primary emphasis on the Discounted Cash Flow analysis and the Direct Capitalization analysis within the Income Capitalization Approach. An explanation of the application of the Discounted Cash Flow and Direct Capitalization methodologies is provided in the following subsections.

**(a) Discounted Cash Flow Method**

The Discounted Cash Flow (DCF) method is a detailed analysis used when the future income is expected to fluctuate, usually as a result of numerous lease obligations and/or anticipated changes in market conditions or income and expenses. It is also particularly relevant when institutional buyers are the most likely purchasers of the subject properties because institutional buyers often place greater weight on this method. The DCF method specifies the quantity, variability, timing and duration of net operating income and cash flow. Estimating the proper internal rate of return or yield rate (discount rate) is essential.



CBRE must consider the target yield sought by investors as well as yields derived from comparable sales and/or market information.

The methodology is as follows:

- i. Estimate the before-tax cash flows for each period of a projected holding period net of any capital expenditures such as leasing commissions, structural repairs and tenant improvements.
- ii. Estimate a yield rate and a terminal overall capitalization rate.
- iii. Estimate a selling price known as the reversion for the end of the projected holding period.
- iv. The cash flows and the reversion are then discounted to a value estimate.

We have generally utilized a 10-year holding period with the reversion calculated based upon capitalizing year 11 net operating income. If the year 11 net operating income was not at a stabilized level due to lease rollovers, we extend the estimated holding period beyond 10 years until a stabilized net operating income was achieved. Actual lease terms were utilized in projecting cash flow. Upon expiration, the leases were rolled to market terms.

The estimated growth rate for market rent, rental income and expenses ranges was 3.0% per annum, similar to our projection of inflation. Our selected terminal capitalization rate, used to estimate a reversionary sales price, takes into consideration perceived market conditions out in the future (10-12 years), the estimated quality of cash flow at the time (lease expiration, tenancy, stability of cash flow stream) and physical condition of the building at time of reversion. Our terminal capitalization rates are generally 25 to 50 points higher than our going in overall rate, depending upon the particulars of each property in the portfolio reflecting the risk associated with projecting future sales prices.

In selecting yield rates at which cash flows are to be discounted, an emphasis is placed on the prospective or forecast yield rates anticipated by typical buyers and sellers. This rate is influenced by many factors, including the degree apparent risk, market attitudes toward future inflation, the prospective rates of return for alternative investments, the rates of return earned by comparable properties in the past, the supply and demand of mortgage funds and the availability of tax shelters. We applied discount rates ranging from 8.50% to 10.00% depending upon the particulars of the respective properties in the portfolio.

#### **(b) Direct Capitalization Method**

Direct capitalization is the method used to convert a single year's estimate of stabilized net operating income into a value indication. In direct capitalization, a precise allocation between return on and return of capital is not made because investor assumptions or forecasts concerning the holding period, pattern of income or changes in value of the original investment are not simulated in the method. Direct capitalization is the most appropriate method to use when analyzing a stable income stream and in estimating the reversion at the end of a holding period. Using this method, the following sets forth the process:

- i. Estimate the Potential Gross Income (PGI) from all sources that a prudent owner should be able to generate from a property based on existing and/or market rents.
- ii. Deduct an estimate of Vacancy and Collection Loss (VCL) to arrive at an Effective Gross Income (EGI).
- iii. Deduct estimated operating expenses from the estimate of EGI. The result is an estimate of the stabilized Net Operating Income (NOI).
- iv. Estimate an Overall Capitalization Rate (OAR).
- v. Divide the NOI by OAR resulting in a value estimate at stabilized occupancy.



The overall rates are based on comparable sales as well as discussions with market participants and national investor surveys. The overall rates used for the subject properties range from 7.25% - 9.0% depending upon the particulars of each property in the portfolio.

## 5. SUMMARY OF VALUES

Individual property values estimated by CB Richard Ellis, Inc. as of July 1, 2005, according to the terms outlined in the Reports, are shown below. For all details of the valuations, please refer to the individual complete, self-contained appraisal reports, prepared separately for each property.

### 25 Suburban Office Buildings Portfolio

Summary of Values							
Property Name	GLA (SF)	Valuation Date	Final Value	Value PSF	OAR	Terminal Cap Rate	IRR (Yield)
50 Marcus Drive Melville, NY	163,763	July 1, 2005	\$ 40,000,000	\$244.26	7.5%	8.5%	9.00%
660 White Plains Rd. Tarrytown, NY	279,840	July 1, 2005	\$ 53,600,000	\$191.54	7.5%	8.0%	8.50%
80 Grasslands Rd. Elmsford, NY	87,613	July 1, 2005	\$ 14,600,000	\$166.64	8.0%	8.5%	9.00%
580 White Plains Rd. Tarrytown, NY	179,329	July 1, 2005	\$ 28,900,000	\$161.16	8.0%	8.5%	9.00%
560 White Plains Rd. Tarrytown, NY	127,059	July 1, 2005	\$ 20,200,000	\$158.98	8.0%	8.5%	9.00%
555 White Plains Rd. Tarrytown, NY	124,679	July 1, 2005	\$ 18,900,000	\$151.59	8.0%	8.5%	9.00%
505 White Plains Rd. Tarrytown, NY	26,330	July 1, 2005	\$ 4,000,000	\$151.92	8.0%	8.5%	9.00%
33-35 Pinelawn Melville, NY	113,848	July 1, 2005	\$ 19,400,000	\$170.40	7.5%	8.0%	8.50%
200 Broadhollow Rd. Melville, NY	69,872	July 1, 2005	\$ 12,500,000	\$178.90	7.5%	8.0%	8.50%
1660 Walt Whitman Rd. Melville, NY	77,151	July 1, 2005	\$ 17,000,000	\$220.35	7.5%	8.0%	8.50%
520 Broadhollow Rd. Melville, NY	85,835	July 1, 2005	\$ 17,400,000	\$202.71	7.5%	8.0%	8.50%
88 Duryea Rd. Melville, NY	26,367	July 1, 2005	\$ 4,200,000	\$155.50	8.0%	8.5%	8.75%
100 Grasslands Rd. Elmsford, NY	67,454	July 1, 2005	\$ 8,200,000	\$121.56	7.5%	8.5%	9.00%
150 Motor Parkway Hauppauge, NY	193,554	July 1, 2005	\$ 36,600,000	\$189.09	8.0%	8.5%	9.50%
300 Motor Parkway Hauppauge, NY	54,254	July 1, 2005	\$ 8,600,000	\$158.51	7.5%	8.0%	9.00%
55 Charles Lindbergh Blvd. Uniondale, NY	214,581	July 1, 2005	\$ 31,800,000	\$148.20	9.0%	8.5%	9.50%
492 River Rd. Nutley, NJ	130,009	July 1, 2005	\$ 29,700,000	\$228.45	7.5%	8.0%	9.00%
6900 Jericho Turnpike Syosset, NY	100,847	July 1, 2005	\$ 15,700,000	\$155.68	7.3%	7.75%	8.50%
6800 Jericho Turnpike Syosset, NY	207,583	July 1, 2005	\$ 33,800,000	\$162.83	7.0%	7.50%	8.50%
300 Executive Drive West Orange, NJ	124,777	July 1, 2005	\$ 18,700,000	\$149.87	7.5%	8.0%	9.00%
200 Executive Drive West Orange, NJ	107,224	July 1, 2005	\$ 16,700,000	\$155.75	7.5%	8.0%	9.00%
100 Executive Drive West Orange, NJ	93,665	July 1, 2005	\$ 15,200,000	\$162.28	7.5%	8.0%	9.00%
10 Rooney Circle West Orange, NJ	70,716	July 1, 2005	\$ 12,000,000	\$169.69	8.0%	8.0%	9.00%
225 High Ridge Rd. Stamford, CT	231,013	July 1, 2005	\$ 76,500,000	\$331.15	7.5%	7.5%	8.25%
710 Bridgeport Ave. Shelton, CT	452,414	July 1, 2005	\$ 42,700,000	\$98.38	8.0%	8.5%	10.00%

## 6. LIABILITY DISCLAIMER

CBRE has prepared this summary letter, which appears in this Product Disclosure Statement and specifically disclaims liability to any person in the event of any omission from or false misleading statements included in the Product Disclosure Statement, other than with respect to this summary letter. CBRE does not make any warranty or representation as to the accuracy of the information in any part of the Prospectus other than as expressly made or given by CBRE in this summary valuation letter.



Further, Reckson Associates Realty Corp shall indemnify, defend and hold CBRE, its parent, subsidiaries and affiliates and their respective officers, directors, employees, agents and attorneys harmless from and against any and all claims, damages, liabilities, expenses, losses and costs, including reasonable attorneys' fees, arising from or in any way related to such use of our Reports, or description of CBRE and/or the Appraisals, except for any finally adjudicated liability of CBRE as determined by a court of competent jurisdiction, resulting from CBRE's failure to render the opinion of value in a manner consistent with generally recognized appraisal practices other than acts or omissions of CBRE resulting from CBRE's reliance upon information provided by others.

CBRE has relied upon property data supplied by Reckson Entities, which we assumed to be true and accurate. CBRE takes no responsibility for inaccurate client supplied data and any conclusions related to the data.

## **7. CERTIFICATION OF THE APPRAISALS (AND VALUATION SUMMARY LETTER)**

I certify that to the best of my knowledge and belief:

- a) The statements of fact contained in this summary letter ("letter") are true and correct but reliant upon the assumptions, limiting conditions reasoning and methodology found in our full, self-contained Reports.
- b) The reported analyses, opinions and conclusions of each Report are limited only by the reported assumptions and limiting conditions, and are the CBRE appraisers' impartial and unbiased professional analyses, opinions and conclusions.
- c) I have no present or prospective interest in the properties that are the subject of this letter, and no personal interest with respect to the parties involved.
- d) I have no bias with respect to the properties that are the subject of this letter or to the parties involved with this assignment.
- e) My engagement in any phase of this assignment was not contingent upon developing or reporting predetermined results.
- f) My compensation for any phase of this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of the appraisals prepared.
- g) The individual CBRE appraiser's analyses, opinions and conclusions were developed, and the Reports have been prepared, in conformity with the Uniform Standards of Professional Appraisal Practice of the Appraisal Foundation and the Code of Professional Ethics and the Standards of Professional Appraisal Practice of the Appraisal Institute.
- h) Michael R. Pecorino, MAI, Senior Managing Director of CBRE Valuation and Advisory Services did not personally inspect any of the properties.
- i) No one provided significant professional assistance to the person signing this letter or the persons signing the Reports, unless otherwise indicated.
- j) The use of this letter is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.



Reckson Australia Management Limited  
July 22, 2005  
Page 7

- k) As of the date of this letter, Michael R. Pecorino, MAI, has completed the requirements of the continuing education program of the Appraisal Institute.

Respectfully submitted

**CB Richard Ellis, Inc.**  
**Valuation & Advisory Services**

A handwritten signature in blue ink that reads "Michael R. Pecorino". The signature is written in a cursive style with a large initial 'M'.

Michael R. Pecorino, MAI  
Senior Managing Director

The logo for CBRE, consisting of the letters "CBRE" in a bold, green, sans-serif font.



8.2 INDEPENDENT REVIEW OF RESPONSIBLE ENTITY'S PRO FORMA  
FINANCIAL FORECASTS

## Financial Services Guide

Deloitte Corporate Finance Pty Limited  
A.B.N. 19 003 833 127  
AFSL 241457  
Grosvenor Place  
225 George Street  
Sydney NSW 2000  
Tel: +61 (0) 2 9322 7000  
Fax: +61 (0) 2 9322 7019  
www.deloitte.com.au

**Note: This report consists of both a Financial Services Guide and Independent Accountant's Report**

### Part 1 - Financial Services Guide

12 August 2005

#### What is a Financial Services Guide?

**This Financial Services Guide ("FSG") is an important document whose purpose is to assist you in deciding whether to use any of the general financial product advice provided by Deloitte Corporate Finance Pty Limited (ABN 19 003 833 127).** The use of "we", "us" or "our" is a reference to Deloitte Corporate Finance Pty Limited as the holder of Australian Financial Services Licence ("AFSL") No. 241457. **The contents of this FSG include:**

- **who we are and how we can be contacted**
- **what services we are authorised to provide under our AFSL**
- **how we (and any other relevant parties) are remunerated in relation to any general financial product advice we may provide**
- **details of any potential conflicts of interest**
- **details of our internal and external dispute resolution systems and how you can access them.**

#### Information about us

We have been engaged by the Directors of Reckson Australia Management Limited to give general financial product advice in the form of a report to be provided to you in connection with the acquisition of Units in Reckson New York Property Trust. You are not the party or parties who engaged us to prepare this report. We are not acting for any person other than the party or parties who engaged us. We are required to give you an FSG by law because our report is being provided to you. You may contact us using the details located above.

Deloitte Corporate Finance Pty Limited is ultimately owned by the Australian partnership of Deloitte Touche Tohmatsu. The Australian partnership of Deloitte Touche Tohmatsu and its related entities provide services primarily in the areas of audit, tax, consulting, and financial advisory services. Our directors may be partners in the Australian partnership of Deloitte Touche Tohmatsu.

The Australian partnership of Deloitte Touche Tohmatsu is a member firm of the Deloitte Touche Tohmatsu Verein. As the Deloitte Touche Tohmatsu Verein is a Swiss Verein (association), neither it nor any of its member firms has any liability for each other's acts or omissions. Each of the member firms is a separate and independent legal entity operating under the names "Deloitte," "Deloitte & Touche," "Deloitte Touche Tohmatsu," or other related names.

Liability limited by the Accountants' Scheme,  
approved under the Professional Standards Act 1994 (NSW).

The financial product advice in our report is provided by Deloitte Corporate Finance Pty Limited and not by the Australian partnership of Deloitte Touche Tohmatsu, its related entities, or the Deloitte Touche Tohmatsu Verein.

We do not have any formal associations or relationships with any entities that are issuers of financial products. However, you should note that we and the Australian partnership of Deloitte Touche Tohmatsu (and its related bodies corporate) may from time to time provide professional services to financial product issuers in the ordinary course of business.

#### What financial services are we licensed to provide?

The AFSL we hold authorises us to provide the following financial services to both retail and wholesale clients:

- to provide general financial product advice in respect of:
  - debentures, stocks or bonds to be issued or proposed to be issued by a government
  - interests in managed investment schemes including investor directed portfolio services
  - securities.
- to deal in a financial product by arranging for another person to apply for, acquire, vary or dispose of financial products in respect of:
  - debentures, stocks or bonds issued or to be issued by a government
  - interests in managed investment schemes including investor directed portfolio services
  - securities.

#### Information about the general financial product advice we provide

The financial product advice provided in our report is known as "general advice" because it does not take into account your personal objectives, financial situation or needs. You should consider whether the general advice contained in our report is appropriate for you, having regard to your own personal objectives, financial situation or needs.

If our advice is being provided to you in connection with the acquisition or potential acquisition of a financial product issued another party, we recommend you obtain and read carefully the relevant offer document provided by the issuer of the financial product. The purpose of the offer document is to help you make an informed decision about the acquisition of a financial product. The contents of the offer document will include details such as the risks, benefits and costs of acquiring the particular financial product.



## How are we and our employees remunerated?

Our fees are usually determined on an hourly basis; however they may be a fixed amount or derived using another basis. We may also seek reimbursement of any out-of-pocket expenses incurred in providing the services.

Fee arrangements are agreed with the party or parties who actually engage us, and we confirm our remuneration in a written letter of engagement to the party or parties who actually engage us.

Neither Deloitte Corporate Finance Pty Limited nor its directors and officers, nor any related bodies corporate or associates and their directors and officers, receives any commissions or other benefits, except for the fees for services rendered to the party or parties who actually engage us. Our fee is \$375,000 which is disclosed in Section 6.1 of this PDS prepared by the issuer of the financial product.

All of our employees receive a salary. Our employees are eligible for annual salary increases and bonuses based on overall performance but do not receive any commissions or other benefits arising directly from services provided to you. The remuneration paid to our directors reflects their individual contribution to the company and covers all aspects of performance. Our directors do not receive any commissions or other benefits in connection with our advice.

We do not pay commissions or provide other benefits to other parties for referring prospective clients to us.

## Responsibility

The liability of Deloitte Corporate Finance Pty Limited is limited to the contents of this FSG and our report referred to in this FSG.

## What should you do if you have a complaint?

If you have any concerns regarding our report, you may wish to advise us. Our internal complaint handling process is designed to respond to your concerns promptly and equitably. Please address your complaint in writing to:

The Complaints Officer  
Practice Protection Group  
PO Box N250  
Grosvenor Place  
Sydney NSW 1220

If you are not satisfied with the steps we have taken to resolve your complaint, you may contact the Financial Industry Complaints Service ("FICS"). FICS provides free advice and assistance to consumers to help them resolve complaints relating to members of the financial services industry. Complaints may be submitted to FICS at:

Financial Industry Complaints Service  
PO Box 579  
Collins Street West  
Melbourne VIC 8007  
Telephone: 1300 780 808  
Fax: +61 3 9621 2291

Internet: <http://www.fics.asn.au>

If your complaint relates to the professional conduct of a person who is a Chartered Accountant, you may wish to lodge a complaint in writing with the Institute of Chartered Accountants in Australia ("ICAA"). The ICAA is the professional body responsible for setting and upholding the professional, ethical and technical standards of Chartered Accountants and can be contacted at:

The Institute of Chartered Accountants  
GPO Box 3921  
Sydney NSW 2001  
Telephone: +61 2 9290 1344  
Fax: +61 2 9262 1512

Specific contact details for lodging a complaint with the ICAA can be obtained from their website at <http://www.icaa.org.au/about/index.cfm>.

The Australian Securities and Investments Commission ("ASIC") regulates Australian companies, financial markets, financial services organisations and professionals who deal and advise in investments, superannuation, insurance, deposit taking and credit. Their website contains information on lodging complaints about companies and individual persons and sets out the types of complaints handled by ASIC. You may contact ASIC as follows:

Info line: 1 300 300 630

Email: [infoline@asic.gov.au](mailto:infoline@asic.gov.au)

Internet: <http://www.asic.gov.au/asic/asic.nsf>



Deloitte Corporate Finance Pty Limited  
A.B.N. 19 003 833 127  
AFSL 241457

Grosvenor Place  
225 George Street  
Sydney NSW 2000  
PO Box N250 Grosvenor Place  
Sydney NSW 1220 Australia

DX 10307SSE  
Tel: +61 (0) 2 9322 7000  
Fax: +61 (0) 2 9322 7019  
www.deloitte.com.au

The Directors  
Reckson Australia Management Limited  
as the Responsible Entity for the Reckson New York Property  
Trust  
Level 25, The Chifley Tower, 2 Chifley Square  
Sydney NSW 2000  
12 August 2005

Dear Sirs

## **INDEPENDENT REVIEW OF THE RESPONSIBLE ENTITY'S PRO FORMA FINANCIAL FORECASTS**

### **1 Introduction**

This report has been prepared at the request of the Directors of Reckson Australia Management Limited, the responsible entity (the Responsible Entity) for the Reckson New York Property Trust (the Trust), for inclusion in a Product Disclosure Statement (PDS) to be issued by the Responsible Entity in respect of the offer of approximately 263.4 million Units in the Trust.

Deloitte Corporate Finance Pty Limited is wholly owned by Deloitte Touche Tohmatsu and holds the appropriate Australian Financial Services licence for the issue of this report.

References to the Responsible Entity and other terminology used in this report have the same meaning as defined in the Glossary of the PDS.

### **2 Financial Information**

The Directors of the Responsible Entity are responsible for the preparation and presentation of the Pro Forma Consolidated Balance Sheet as at 21 September 2005, being the anticipated date of Allotment and the Pro Forma Forecast Consolidated Income Statements of the Trust for the period from Allotment to 31 December 2005 and the year ending 31 December 2006 as set out in Section 7 of the PDS (collectively the Pro Forma Financial Forecasts) and the information contained therein, including the assumptions on which they are based.

The Pro Forma Consolidated Balance Sheet as set out in Section 7.1 of the PDS represents the pro forma balance sheet of the Trust as at the anticipated date of Allotment. The Pro Forma Consolidated Balance Sheet has been prepared in accordance with the statement of significant accounting policies set out in Section 7.3 of the PDS and on the assumption that the transactions contemplated on or around the date of Allotment are completed on that date.

The pro forma financial information has been prepared using Australian equivalents to IFRS accounting standards on the basis that the first financial reporting period for the Trust will be the period ending on 31 December 2005.

The pro forma financial information is presented in an abbreviated form in so far as it does not include all of the disclosures required by Australian Accounting Standards applicable to annual financial reports prepared in accordance with the Corporations Act 2001.

The liability of Deloitte Touche Tohmatsu, is limited by, and to the extent of, the Accountants' Scheme under the Professional Standards Act 1994 (NSW).

The Pro Forma Financial Forecasts have been prepared and adopted by the Directors of the Responsible Entity in order to provide prospective investors with a guide to the potential financial performance of the Trust for the period from Allotment to 31 December 2005 and the year ending 31 December 2006. There is a considerable degree of subjective judgement involved in preparing forecasts. The underlying assumptions are also subject to uncertainties and contingencies which are often outside the control of the Trust. The Pro Forma Financial Forecasts have been prepared using assumptions summarised in Section 7.4 of the PDS, which are based on best-estimate assumptions relating to future events that management expect to occur and actions that management expect to take.

As disclosed in Section 7.2, The Pro Forma Forecast Consolidated Income Statements assume that:

- The fair market value of each property at the date of acquisition under Tranche 1, Tranche 2 and Tranche 3 is equal to the value of each property as determined by CBRE in their valuations dated July 2005. The Trust's equity accounted share of the difference between the CBRE July 2005 valuation and the total cost of acquisition has been recognised as a gain in the Trust's Pro Forma Forecast Consolidated Income Statement for the period ending 31 December 2005 for Tranche 1 and the year ending 31 December 2006 for Tranches 2 and 3. Any subsequent fair value movements in investment properties have not been forecast on the basis that the Directors of the Responsible Entity do not believe that they can be reliably estimated.
- There are no movements in the market values of derivatives and no corresponding mark to market adjustments required to be included in the Pro Forma Financial Forecasts as the Directors of the Responsible Entity do not believe that they can be reliably estimated.

The sensitivity analysis set out in Section 7.5 of the PDS demonstrates the impacts on the forecast financial performance of changes in key assumptions. The prospective financial information is therefore only indicative of the financial performance which may be achievable.

Applicants should be aware of the material risks and uncertainties relating to an investment in the Trust, which are detailed in Section 3 of the PDS and the inherent uncertainty relating to the prospective financial information.

### **3 Scope of Report**

This report has been prepared having regard to the guidance set out in AGS 1062 "Reporting in Connection with Proposed Fundraisings", PS 170 "Prospective Financial Information" and AUS 804 "The Audit of Prospective Financial Information".

Our review of the Pro Forma Financial Forecasts has been conducted in accordance with AUS 902 "Review of Financial Reports" applicable to review engagements. Our review consisted primarily of enquiry, comparison, and analytical review procedures including discussions with management and Directors of the Responsible Entity of the factors considered in determining their assumptions. Our procedures included examination, on a test basis, of evidence supporting the assumptions, amounts and other disclosures in the Pro Forma Financial Forecasts and the evaluation of accounting policies used.

These procedures are substantially less in scope than an audit examination conducted in accordance with Australian Auditing Standards and provide less assurance than an audit. In addition, prospective financial information, such as the Pro Forma Financial Forecasts, relate to events and actions that have not yet occurred and may not occur. While evidence may be available to support the assumptions on which the Pro Forma Financial Forecasts are based, those assumptions are generally future-orientated and therefore speculative in nature. Accordingly, actual financial performance may vary from the prospective financial information presented in the PDS and such variations may be material.

### **3.1 Pro Forma Consolidated Balance Sheet**

We have reviewed the Pro Forma Consolidated Balance Sheet as set out in Section 7.1 of the PDS in order to state whether, on the basis of the procedures described, anything has come to our attention that would indicate that the Pro Forma Consolidated Balance Sheet is not presented fairly in accordance with the basis of preparation and the statement of significant accounting policies set out in Section 7.3 of the PDS.

These procedures do not provide all the evidence that would be required in an audit, thus the level of assurance provided is less than that given in an audit. We have not performed an audit and accordingly we do not express an audit opinion.

### **3.2 Pro Forma Financial Forecasts**

We have reviewed the Pro Forma Financial Forecasts, together with the assumptions on which the Pro Forma Financial Forecasts are based, as set out in Section 7.4 of the PDS in order to give a statement thereon to the Directors of the Responsible Entity.

These procedures have been undertaken in order to state whether anything has come to our attention, which causes us to believe that:

- i) the Directors' best-estimate assumptions do not provide reasonable grounds for the preparation of the Financial Forecasts
- ii) in all material respects, the Pro Forma Financial Forecasts are not properly compiled on the basis of the Directors' best-estimate assumptions, consistent with the accounting policies adopted and used by the Responsible Entity and in accordance with applicable Australian Accounting Standards under the Australian equivalent of the International Financial Reporting Standards and mandatory professional reporting requirements
- iii) the Directors' Pro Forma Financial Forecasts are not based on reasonable grounds.

## **4 Statements**

### **4.1 Pro Forma Consolidated Balance Sheet**

Based on our review, which is not an audit, nothing has come to our attention which causes us to believe that the Pro Forma Consolidated Balance Sheet set out in Section 7.1 of the PDS does not present fairly the Pro Forma Consolidated Balance Sheet of the Trust as at the date of Allotment in accordance with the statement of significant accounting policies set out in Section 7.3 of the PDS.

### **4.2 Pro Forma Financial Forecasts**

Based on our review of the Pro Forma Financial Forecasts, set out in Sections 7.1 and 7.2 nothing has come to our attention which causes us to believe that:

- i) the Directors' best-estimate assumptions, as set out in section 7.4 the PDS, do not provide reasonable grounds for the preparation of the Pro Forma Financial Forecasts
- ii) the Pro Forma Financial Forecasts are not properly compiled on the basis of the Directors' best-estimate assumptions, consistent with the accounting policies adopted and used by the Responsible Entity and in accordance with applicable Australian Accounting Standards under the Australian equivalent of the International Financial Reporting Standards and mandatory professional reporting requirements
- iii) the Directors' Pro Forma Financial Forecasts are not based on reasonable grounds.

Actual financial performance is likely to be different from the Pro Forma Financial Forecasts since anticipated events frequently do not occur as expected and the variations may be material. In addition the actual financial performance may include any gains or losses arising from movements in the market values of properties acquired and derivatives entered into. Accordingly, we express no opinion as to whether the Pro Forma Financial Forecasts will be achieved.

We disclaim any responsibility for any reliance on this statement or on the Pro Forma Financial Forecasts to which it relates for any other purpose than that for which it was prepared.

Deloitte Corporate Finance Pty Limited is liable for the content of the Financial Services Guide and this report.

Yours faithfully

**DELOITTE CORPORATE FINANCE PTY LIMITED**

A handwritten signature in black ink, appearing to read 'Johan Duivenvoorde', is written over a faint, light-colored signature line.

**Johan Duivenvoorde**  
Director

## 8.3 INDEPENDENT US TAX EXPERT'S REPORT

### OVERVIEW OF CERTAIN US FEDERAL TAX CONSIDERATIONS

As required by US Treasury Regulations governing tax practice, you are hereby advised that any written tax advice contained herein was not written or intended to be used (and cannot be used) by any taxpayer for the purpose of avoiding penalties that may be imposed under the Code. The advice was prepared to support the promotion or marketing of the transactions or matters addressed by the written advice and any person reviewing this discussion should seek advice based on such person's particular circumstances from an independent tax adviser.

### STATUS OF US REIT

The Trust has holdings in the US REIT, which is intended to be owned, organised and operated in a manner so as to qualify as a REIT for US federal income tax purposes. Although PIML believes that the US REIT will be owned and organised, and will be operated in a manner so it would qualify as a REIT for US federal income tax purposes, the determination of whether an entity qualifies as a REIT involves the application of a number of highly technical and complex rules for which there are limited judicial and administrative interpretations and, accordingly, no assurance can be given that the US REIT will qualify or remain qualified as a REIT.

If the US REIT were to fail to qualify for US federal income tax purposes as a REIT in any taxable year, its taxable income (including gains from the disposition of built-in gain property as discussed below) would be subject to US federal income tax as if it were a US corporation in that year and possibly in future years, and its shareholders would be taxed in the same manner as shareholders of a US corporation. Distributions to its shareholders in any year in which it fails to qualify as a REIT would not be deductible by the US REIT, nor generally would they be required to be made under the US Internal Revenue Code. The treatment of the US REIT as a corporation would significantly impact the amount available for distributions, because the US REIT could be subject to potentially significant tax liabilities in such a case. Unless entitled to relief under specific statutory provisions, the US REIT would be disqualified from re-electing taxation as a REIT for the four taxable years following the year during which qualification was lost.

### IN GENERAL

In brief, if the conditions imposed by the REIT provisions of the US Internal Revenue Code are met, organisations like the US REIT that invest primarily in real estate and that would otherwise be treated for US federal income tax purposes as corporations (and therefore taxable at the corporate level on all taxable income), are allowed deductions for dividends paid to shareholders. This treatment substantially eliminates the "double taxation" at both the corporate and shareholder levels that generally results from the use of corporations in the United States. However, as discussed in greater detail below, such an entity remains subject to US federal tax in certain circumstances even if it qualifies as a REIT.

### TAXATION OF A REIT

In any year in which the US REIT qualifies as a REIT, in general it will not be subject to US federal corporate income tax on that portion of its REIT taxable income or capital gain which is currently distributed to its shareholders. The US REIT may, however, be subject to tax at graduated US corporate income tax rates upon any taxable income or capital gain not distributed to its shareholders. To the extent that the US REIT elects to retain and pay income tax on its net long-term capital gain, its shareholders will be required to include their proportionate share of the undistributed long-term capital gain in income but will receive a credit against their US tax liabilities for their share of any taxes the US REIT pays on such gain.

Notwithstanding the US REIT's qualification as a REIT, the US REIT may also be subject to taxation in other circumstances. If the US REIT fails to satisfy either the gross income tests (described below), and nonetheless maintains its qualification as a REIT because other requirements are met, it will be subject to a tax equal to the greater of:

- (1) the amount by which 75% of its gross income exceeds the amount qualifying under the 75% gross income test (described below) for the taxable year, and
- (2) the amount by which 95% of its gross income exceeds the amount of its income qualifying under the 95% gross income test (described below) for the taxable year,

multiplied in either case by a fraction intended to reflect the US REIT's profitability. The US REIT will be subject to a tax of 100% on net income from any "prohibited transaction", as described in below and if it has net income from the sale or other disposition of "foreclosure property" which is held primarily for sale to customers in the ordinary course of business or other non-qualifying income from foreclosure property, it will be subject to tax on such income from foreclosure property at the highest corporate rate.

In addition, if the US REIT fails to distribute during each calendar year at least the sum of:

- (1) 85% of its REIT ordinary income for such year;
- (2) 95% of its REIT capital gain net income for such year, other than capital gains it elects to retain and pay tax on as described below; and
- (3) any undistributed taxable income from prior years,

it will be subject to a 4% excise tax on the excess of such required distribution over the amounts actually distributed. To the extent that the US REIT elects to retain and pay income tax on its long-term capital gain, such retained amounts will be treated as having been distributed for purposes of the 4% excise tax. The US REIT may also be subject to the US corporate "alternative minimum tax", as well as tax in various situations and on some types of transactions not presently contemplated. In addition, the US REIT will use the calendar year both for US federal income tax purposes and for financial reporting purposes.

Also, if the US REIT acquires any assets from a corporation that is not a REIT in a carryover-basis transaction, the US REIT will be liable for US federal income tax at the highest applicable corporate rate for the "built-in gain" with respect to those assets if the US REIT disposes of such assets within ten years after they are acquired. The built-in gain with respect to any asset is the amount by which such asset's fair market value exceeds its adjusted tax basis at the time the US REIT acquires the asset.

#### SHARE OWNERSHIP TESTS AND CERTAIN OTHER ORGANISATIONAL REQUIREMENTS FOR QUALIFICATION AS A REIT

In order to qualify as a REIT for federal income tax purposes, the US REIT must continually satisfy tests concerning, among other things, its sources of income, the nature and diversification of its investments in commercial real estate and related assets, the amounts it distributes to shareholders and the ownership of its stock. The US REIT may also be required to make distributions to shareholders at disadvantageous times or when it does not have funds readily available for distribution. The REIT provisions of the Code could limit the US REIT's ability to hedge its financial assets, currency risk and related borrowings. Thus, compliance with the REIT requirements could hinder the US REIT's ability to operate solely with the objective of maximising profits. The following is a summary of those tests:

1. **Transferable Shares or Certificates of Beneficial Interest:** Ownership of REITs must be evidenced by transferable shares or by transferable certificates of beneficial interest. The US REIT is organised as a Maryland corporation and its shares are transferable. The only restriction on the transferability of the US REIT's shares are those contained in its Articles of Incorporation described in (4) below which are present in order to assist it in continuing to qualify as a REIT.
2. **One Hundred Shareholders Requirement:** The US REIT's shares must be held directly by a minimum of 100 persons for at least 335 days in each taxable year following its first taxable year (or a proportional number of days in any short taxable year). Therefore, with respect to the taxable year ending 31 December 2005, the US REIT will be required to have at least 100 direct shareholders by 31 January 2006. The Trust will hold all of the common stock of the US REIT. To comply with the REIT regulations, approximately 120 individuals will hold one share of non-voting preferred stock of the US REIT, representing less than 0.1% of the total equity of the US REIT.
3. **Closely Held Prohibition:** For the US REIT to qualify as a REIT, no more than 50% in value of its shares of beneficial interest may be owned, directly or indirectly and by applying constructive ownership rules (by Unitholders), by five or fewer individuals (which for this purpose includes certain tax-exempt entities) at all times during the last half of each taxable year (other than the first year for which an election to be treated as a REIT has been made) or during a proportionate part of a shorter taxable year. If the US REIT complies with the US Treasury Regulations for ascertaining its actual ownership and did not know, or exercising reasonable diligence would not have reason to know, that 50% in value of its outstanding shares were held, actually or constructively, by five or fewer individuals, then it will be treated as meeting such requirement. An acquisition by a Unitholder that would otherwise cause the REIT to fail this 50% test would trigger certain measures in the US REIT's articles of incorporation designed to prevent this 50% test from being violated. Such provisions could result in the automatic transfer of certain shares of the US REIT held by the Trust to a trust for the exclusive benefit of one or more charitable beneficiaries (the "charitable trust"). The automatic transfer would be effective as of the close of business on the business day prior to the date of the violation of the 50% test. Any dividends or other distributions with respect to such shares after the effective date would be payable to the charitable trust. Upon a sale of such shares by the charitable trust, the Trust would generally be entitled to the lesser of: (1) the fair market value of such shares on the day immediately preceding the effective date of the transfer; and (2) the sales price received by the charitable trust. We understand that, under Australian law, substantial unitholdings above 5% and any movement by more than 1% in such Unitholdings must be disclosed to the market and no person's voting power in the Trust can equal or exceed 20% unless permitted by the Corporations Act. This provides a level of transparency as to whether the 5/50 rule is likely to be violated, but there can be no guarantee that it will not be violated.
4. **Transfer Restriction and Record Maintenance:** To ensure compliance with the 50% test and certain other REIT requirements, the US REIT has placed restrictions on the direct or indirect transfer or ownership of its shares to prevent concentration of ownership. Moreover, to evidence compliance with these requirements under US Treasury Regulations the

US REIT will also maintain records which disclose the actual ownership of its outstanding shares, and such regulations impose penalties against the US REIT for failing to do so.

#### ASSET TESTS

To maintain its qualification as a REIT, at the close of each quarter of each of its taxable years, it must satisfy tests relating to the nature and diversification of its assets determined in accordance with generally accepted accounting principles. Where the US REIT invests in a partnership, limited liability company or trust taxed as a partnership or as a disregarded entity, it will be deemed to own its proportionate share (based on its capital interest) of the partnership's, limited liability company's or trust's assets.

1. **75% Test:** At least 75% of the value of the US REIT's total assets must be represented by interests in real property, interests in mortgages on real property, shares in other REITs, cash, cash items, government securities, and certain qualified temporary investments.
2. **10% Vote and Value Test:** Although the remaining 25% of the US REIT's assets generally may be invested without restriction, it is prohibited from owning securities representing more than 10% of either the vote or value of the outstanding securities of any issuer other than a qualified REIT subsidiary, another REIT, a taxable REIT subsidiary or in the case of the 10% value test, certain "straight debt" securities (the "10% vote and value test").
3. **20% and 5% Asset Tests:** No more than 20% of the value of the US REIT's total assets may be represented by securities of one or more taxable REIT subsidiaries (the "20% asset test") and no more than 5% of the value of its total assets may be represented by securities of any non-government issuer other than a qualified REIT subsidiary, another REIT or a taxable REIT subsidiary (the "5% asset test").

After meeting the asset tests at the close of any quarter, the US REIT will not lose its status as a REIT if it fails to satisfy the asset tests at the end of a later quarter solely by reason of changes in asset values. In addition, if the US REIT fails to satisfy the asset tests because it acquires assets during a quarter, it can cure this failure by disposing of sufficient nonqualifying assets within 30 days after the close of that quarter.

#### GROSS INCOME TESTS

There are two separate percentage tests relating to the sources of the US REIT's gross income which must be satisfied for each taxable year for the US REIT to qualify as a REIT. For purposes of these tests, if the US REIT invests in a partnership, limited liability company or trust classified as a partnership or as a disregarded entity for US federal income tax purposes, the US REIT will be treated as receiving its proportionate share (based on its capital interest) of the income and loss of the partnership, limited liability company or trust, and the gross income of the partnership, limited liability company or trust will retain the same character in the US REIT's hands as it has in the hands of the partnership, limited liability company or trust. The two tests are as follows:

1. **The 75% Gross Income Test:** At least 75% of the US REIT's gross income (other than income from "prohibited transactions" as described below) for the taxable year must be derived from:
  - (i) rents from real property except as modified below;
  - (ii) interest on obligations secured by mortgages on, or interests in, real property;
  - (iii) gains from the sale or other disposition of real property which is not "dealer property", which means interests in real property and real estate mortgages, other than gain from property held primarily for sale to customers in the ordinary course of the US REIT's trade or business;
  - (iv) dividends or other distributions on shares in other REITs, as well as gain from the sale of such shares;
  - (v) abatements and refunds of real property taxes;
  - (vi) income from the operation of, and gain from the sale of, "foreclosure property", which means property acquired at or in lieu of a foreclosure of the mortgage secured by such property for which an election has been made;
  - (vii) amounts (other than amounts the determination of which depends in whole or in part on the income or profits of any person) received or accrued as consideration for entering into agreements (A) to make loans secured by mortgages on real property or on interests in real property or (B) to purchase or lease real property (including interests in real property and interests in mortgages on real property); and
  - (viii) certain qualified temporary investment income attributable to the investment of new capital received by the US REIT in exchange for its shares or certain publicly offered debt which income is received or accrued during the one-year period following the receipt of such capital.
2. **The 95% Gross Income Test:** In addition to deriving 75% of its gross income from the sources listed above, at least 95% of the US REIT's gross income (other than income from prohibited transactions as described below) for the taxable year must be derived from the above-described qualifying income for purposes of the 75% test, or from dividends, interest or gains from the sale or disposition of stock or other securities that are not dealer property. Dividends, other than on REIT shares, and interest on any obligations not secured by an interest in real property are included for purposes of the 95% gross income test, but not for purposes of the 75% gross income test. Generally, any income of the US REIT from transactions it enters into to

hedge risk from indebtedness incurred to acquire or carry real estate assets will not be treated as falling under the 95% gross income test.

3. Additional Gross Income Test Considerations: There are additional restrictions on both the 75% gross income test and the 95% gross income test:
  - (i) Rents Derived from an Owned Tenant: Rents received from a tenant will not qualify as rents from real property in satisfying the 75% gross income test, or the 95% gross income test, if the US REIT, or an owner (including a constructive owner) of 10% or more of its shares, directly or constructively owns 10% or more of such tenant unless the tenant is a taxable REIT subsidiary of the US REIT and certain other requirements are met with respect to the real property being rented.
  - (ii) Rents Attributable to Personal Property: If rent attributable to personal property leased in connection with a lease of real property is greater than 15% of the total rent received under the lease, then the portion of rent attributable to such personal property will not qualify as rents from real property.
  - (iii) Rents Based on Income or Profits: An amount received or accrued will not qualify as rents from real property, or as interest income, for purposes of the 75% and 95% gross income tests if it is based in whole or in part on the income or profits of any person, although an amount received or accrued generally will not be excluded from "rents from real property" solely by reason of being based on a fixed percentage or percentages of receipts or sales.
  - (iv) Rents Derived from Services: For rents received to qualify as rents from real property, the US REIT generally must not furnish or render services to tenants, other than through a taxable REIT subsidiary or an "independent contractor" from whom the US REIT derives no income, except that it may directly provide services that are "usually or customarily rendered" in connection with the rental of properties for occupancy only, or are not otherwise considered "rendered to the occupant for his convenience". A REIT is permitted to render a specified de minimis amount of impermissible services to tenants, and still treat amounts received with respect to that property as rent from real property as long as the REIT's income from such services does not exceed 1% of its income from the related party. For purposes of such de minimis rule, a REIT will be deemed to receive income from such services equal to at least 150% of its cost of providing such services.

#### RELIEF PROVISIONS

1. Asset Tests: Even if the US REIT fails to satisfy one or both of the 10% vote and value test and the 5% asset test, it may still qualify as a REIT for such year if it is entitled to relief under provisions of the US Internal Revenue Code. These provisions will generally be available if:

- (i) any failure by the US REIT to meet the requirements of the 10% vote and value test or the 5% asset test is due to the ownership of assets of de minimis value (generally, the lesser of 1% of the US REIT's total assets or \$10,000,000); and
- (ii) the US REIT disposes of these assets within six months of identifying the failure.

If the US REIT fails the asset tests due to ownership of assets with value exceeding the de minimis amount set out in (i), it can still elect to be classified as a REIT if its failure to meet the tests is due to reasonable cause and not wilful neglect, and if it files a schedule describing the assets causing the failure, disposes of the assets within approximately six months of identifying the failure, and pays a tax at the highest corporate rate on the net income generated by the assets that caused the failure.

It is not possible to state whether in all circumstances the US REIT would be entitled to rely on these relief provisions. If these relief provisions did not apply to a particular set of circumstances that would otherwise cause the US REIT to fail the 10% vote and value test or the 5% asset test, the US REIT would fail to qualify as a REIT.

2. Gross Income Tests: Even if the US REIT fails to satisfy one or both of the 75% and 95% gross income tests for any taxable year, it may still qualify as a REIT for such year if it is entitled to relief under provisions of the US Internal Revenue Code. These relief provisions will generally be available if:

- (i) its failure to comply with the gross income tests was due to reasonable cause and not to wilful neglect; and
- (ii) the US REIT reports the nature and amount of each item of its income included in the tests on a schedule filed in accordance with US Treasury Department Regulations.

If these relief provisions apply, however, the US REIT, as described above, will nonetheless be subject to a special tax on its non-qualifying income for that year. It is not possible to state whether in all circumstances the US REIT would be entitled to rely on these relief provisions. If these relief provisions did not apply to a particular set of circumstances that would otherwise cause the US REIT to fail the 75% or 95% gross income test, the US REIT would fail to qualify as a REIT.

3. Miscellaneous Requirements: If the US REIT fails to qualify as a REIT for any reason other than its failure to meet the gross income or asset tests, and this failure is due to reasonable cause and not wilful neglect, then its status as a REIT will not be terminated if it pays a penalty of \$50,000 for each failure.

## PROHIBITED TRANSACTION INCOME

The US REIT will be subject to a tax of 100% on net income from any prohibited transaction. A “prohibited transaction” is a sale of property treated as held primarily for sale to customers in the ordinary course of a trade or business, excluding foreclosure property, unless the US REIT holds such property for at least four years and other requirements relating to the number of properties sold in a year, their tax bases, and the cost of improvements made to the property are satisfied. In addition, any such prohibited transaction income could also adversely affect the US REIT’s ability to satisfy the income tests for REIT status described above.

Whether an asset is held primarily for sale to customers in the ordinary course of a trade or business depends on the facts and circumstances in effect from time to time, including those related to a particular asset. Accordingly, it may not always be possible to avoid owning property that may be characterised as held primarily for sale to customers in the ordinary course of trade or business.

## ANNUAL DISTRIBUTION REQUIREMENTS

1. **Required Distributions:** To the extent that the US REIT does not distribute all of its net capital gain or REIT taxable income, as adjusted, it will be subject to tax on the undistributed amount at regular capital gains or ordinary corporate tax rates, as the case may be.

However, in order to qualify as a REIT, the US REIT is only required to make distributions, other than capital gain dividends, to its shareholders each year in an amount at least equal to

(a) the sum of:

(i) 90% of its REIT taxable income, computed without regard to the dividends paid deduction and REIT net capital gain; and

(ii) 90% of its net income after tax, if any, from foreclosure property; minus

(b) the sum of various items of excess non-cash income.

2. **Timing of Distribution Payments:** Such distributions must be paid in the taxable year to which they relate, or in the following taxable year under the circumstances described in paragraph (4)(a) or (4)(b) below.

3. **Designation of Undistributed Net Long-Term Capital Gains:** A REIT is permitted, with respect to undistributed net long-term capital gains it received during the taxable year, to designate in a notice mailed to shareholders within 60 days of the end of the taxable year, or in a notice mailed with its annual report for the taxable year, such amount of such gains which its shareholders are to include in their taxable income as long-term capital gains. Thus, if the US REIT were to make this designation, its shareholders would include in their income as long-term capital gains their proportionate share of the undistributed net capital gains as designated by the US REIT. Each of the US REIT’s shareholders would be deemed to have paid such shareholder’s share of the tax paid by the US REIT on such gains, which tax would be credited or refunded to such shareholder, and increase the adjusted basis of such shareholder’s shares in the US REIT by the difference between the amount of such shareholder’s capital gain and such shareholder’s share of the tax paid by the US REIT.

4. **Subsequent Year Dividends and Consent Dividends:** It is possible that the US REIT may not have sufficient cash or other liquid assets to meet the 90% distribution requirement due to timing differences between the actual receipt of income and actual payment of expenses on the one hand, and the inclusion of such income and deduction of such expenses in computing its REIT taxable income on the other hand.

Distributions must generally be made during the taxable year to which they relate. Dividends may be paid in the following year in two circumstances:

(a) dividends may be paid in the following year if the dividends are declared before the US REIT timely files its tax return for the year and if made before the first regular dividend payment made after such declaration; or

(b) if the US REIT declares a dividend in October, November, or December of any year with a record date in one of these months and pays the dividend on or before 31 January of the following year, it will be treated as having paid the dividend on 31 December of the year in which the dividend was declared.

Distributions made in accordance with paragraph 4(b) above will be treated as received by the shareholders of the US REIT on 31 December of the year in which they are declared. Distributions made in accordance with the provisions of paragraph 4(a) above will be taxable to the shareholders of the US REIT in the year in which they are paid, even though such distributions relate to a prior period for purposes of the 90% distribution requirement.

Alternatively, the US REIT may attempt to declare a consent dividend. A consent dividend is a hypothetical distribution to shareholders out of the earnings and profits of the US REIT. The effect of such a consent dividend, to those shareholders who agree to such treatment, is that such shareholders would be treated for US federal income tax purposes as if the amount of the consent dividend had been paid to them in cash and they had then immediately contributed such amount to the US REIT as additional paid-in-capital. This would result in taxable income to such shareholders without the receipt of any actual cash distribution. However, the tax basis of such shareholders in their shares would be increased by the amount of the taxable income recognised.

5. Deficiency Dividend: If the US REIT fails to meet the 90% distribution requirement, it may retroactively cure the failure by paying a “deficiency dividend”, plus applicable penalties and interest, within a specified period of time.

#### **DISTRIBUTION IN EXCESS OF EARNINGS AND FOREIGN INVESTMENT IN REAL PROPERTY TAX ACT (“FIRPTA”)**

Distributions by the US REIT which are not dividends out of its earnings and profits will not be subject to US federal income tax, but will be treated as a non-taxable return of capital to the extent of the Trust’s tax basis in the shares of the US REIT. Such distributions will decrease the Trust’s tax basis in its shares of the US REIT. Although such distributions will generally be subject to US withholding tax, the Trust may seek a refund of the tax withheld from the Internal Revenue Service if it is subsequently determined that such distributions exceeded the US REIT’s current and accumulated earnings and profits. Distributions in excess of the US REIT’s earnings and profits and the Trust’s adjusted tax basis in its shares of the US REIT will be treated as a gain from the sale or exchange of shares of the US REIT, which gain will be subject to tax under the rules further discussed below relating to such a sale or exchange.

Under FIRPTA, a distribution made by the US REIT to the Trust, to the extent attributable to gains from dispositions of a United States real property interest (a “USRPI”), such as the US properties directly or indirectly owned by the US REIT (“USRPI Capital Gains”), may be considered effectively connected with a US trade or business and subject to federal income tax at the rate applicable to taxable US corporations. A distribution of USRPI Capital Gains is subject to withholding at a rate of 35%, to the extent the distribution is designated by the US REIT as a capital gain dividend, or is deemed designated as a capital gain dividend under US Treasury regulations. Distributions to the Trust that are subject to FIRPTA may also be subject to a branch profits tax at the rate of 30%, which may be reduced or eliminated under the Treaty.

Unless the US REIT becomes a “domestically controlled REIT”, a sale of its shares by the Trust will generally be subject to US federal income tax and withholding under FIRPTA. A domestically controlled REIT is a REIT in which, at all times during a specified testing period (generally five years), less than 50% in value of its shares is held directly or indirectly by non-US holders. Because the Trust is expected to own substantially all of the US REIT, it is expected that the US REIT will not qualify as a domestically controlled REIT. Therefore, any gain recognised by the Trust upon the sale of its shares of the US REIT is expected to be subject to US federal income tax and withholding under FIRPTA. The Trust will be subject to the same treatment as a US corporate shareholder deriving such a gain. It will be subject to US corporate income tax at graduated rates, as well as the applicable alternative minimum tax.

Any purchaser of US REIT shares from the Trust could be required to withhold 10% of the Purchase Price and remit such amount to the Internal Revenue Service. Any amounts so withheld would be applied against the Trust’s US federal income tax liability and the Trust would be eligible for a refund of any amounts withheld in excess of its actual income tax on the sale. The Internal Revenue Service may issue a withholding certificate permitting FIRPTA withholding to be reduced or eliminated. A certificate may be issued by the Internal Revenue Service if it determines that reduced withholding will not jeopardise the collection of tax, where the transferor is exempt from US tax, or where an agreement for the payment of tax is entered into with the Internal Revenue Service. This certificate notifies the transferee that a specified amount of tax is required to be withheld (i.e., tax on the net gain realised) or that no withholding is required. Either the transferee or the transferor may apply for the certificate. The Internal Revenue Service is obligated to respond to a request for a certificate within 90 days.

Because the Trust is expected to be treated as a corporation for US federal income tax purposes and is expected to be a publicly traded corporation, Units in the Trust should not be treated as “United States real property interests”. Accordingly, any gain on the sale of such Units by a non-US Unitholder should not be subject to US federal income tax under FIRPTA. However, such a gain may be subject to US federal income tax if it is treated as effectively connected with the conduct of a trade or business in the US, or in the case of a gain derived by an individual, such individual is present in the US for 183 days or more and certain other requirements are met.

#### **WITHHOLDING TAXES ON INTEREST**

The Trust may from time to time loan funds to the US REIT. It has been represented that all such loans will be made on arm’s length terms and that accrued interest on such loans will be paid at least annually. Interest from US sources is generally subject to US withholding tax at the rate of 30%, unless reduced by an applicable income tax treaty. Proper certification of eligibility for such reduced rate must be provided (usually on an Internal Revenue Service Form W-8BEN). Under the Treaty, a reduced withholding rate of 10% will apply with respect to interest paid by the US REIT to the Trust, provided that the interest is subject to Australian tax as the income of a resident in the hands of the Unitholders.

## US FEDERAL TAX REPORTING REQUIREMENTS

Neither the Trust nor its Unitholders will be required to file US federal tax returns for years in which they receive only ordinary dividends (i.e., dividends from “earnings and profits”) and interest. However, the Trust will be required to file US federal tax returns in years it receives or is treated as receiving capital gain dividends. The Trust will also be required to file US federal Tax returns if the distributions that it receives exceed its basis in its interest in the US REIT or if the Trust otherwise sells shares in the US REIT.

## WITHHOLDING TAX ON DIVIDENDS

Under the current Australian/US income tax treaty (Treaty), a dividend paid by US REIT to a listed Australian property trust, generally should be subject to a reduced US withholding tax rate of 15%. Proper certification of eligibility for such reduced rate must be provided (usually on an Internal Revenue Service Form W-8BEN).

However, if the Responsible Entity for the Trust knows, or has reason to know, that a Unitholder owns 5% or more of the beneficial interests in the Trust (Ownership Test), then for the purposes of the Treaty, that Unitholder will be deemed to hold the same proportion of the US REIT as its direct interest in the Trust and will be deemed to be beneficially entitled to the REIT dividends paid in respect of that interest. In such a case, the REIT dividends paid with respect to such Unitholder should be subject to a reduced withholding tax rate of 15% only if one of the following three alternative tests (Alternative Ownership Tests) is met:

- the beneficial owner of the dividends of the REIT is an individual that is treated as holding an interest of not more than 10% in the REIT;
- the dividends from the REIT are paid with respect to a class of stock that is publicly traded (US REIT would be treated as publicly traded for this purpose) and the beneficial owner of the dividends of the REIT is treated as holding an interest of not more than 5% of any class of the REIT’s shares; or
- the beneficial owner of the dividends of the REIT is treated as holding an interest of not more than 10% in the REIT and the gross value of no single interest in real property held by the REIT exceeds 10% of the gross value of the REIT’s total interest in property.

US REIT, based on the portfolio of assets held by US REIT immediately after the Closing Date, will hold at least one asset that exceeds this 10% level. Accordingly, non individual Unitholders should be entitled to the reduced withholding tax rate of 15% provided they are not treated as owning more than 5% of any class of stock in US REIT. If a Unitholder’s holdings exceed this level, then a 30% US withholding tax may be payable on that person’s proportionate share of US REIT’s distribution. The Trust can deduct that additional withholding tax from any distribution payable to the Unitholder. The Unitholder may be entitled to a credit for the US tax withheld if certain requirements are met.

Unlike the Ownership Test, the Alternative Ownership Tests specifically look to the “beneficial owner of the dividends” in determining the ownership of the Trust. Therefore, there is an arguable position that if a Unitholder were to hold 5% or more of the Units (Greater Than 5% Nominee Owner) merely as nominee with bare legal title for the benefit of other taxable entities, then those other taxable entities should each be treated separately as the beneficial owner of less than 5% of the Trust under Australian law (Affiliated Less Than 5% Owner). On this basis, and assuming the Trust relies on evidence that frequently confirms direct and indirect ownership information, reduced withholding rate of 15% should continue to apply with respect to the Greater Than 5% Nominee Owner.

The US federal income taxation of non-US shareholders in the US REIT is a highly complex matter that may be affected by many other considerations. Accordingly, prospective Unitholders are advised to consult with their own tax advisers regarding the specific tax consequences to them of the purchase, ownership and sale of Units in the Trust.

Atlanta  
Beijing  
Brussels  
Hong Kong  
London  
Los Angeles  
Milan  
New York  
Orange County  
Palo Alto  
Paris  
San Diego  
San Francisco  
Shanghai  
Stamford  
Tokyo  
Washington, DC

August 12, 2005

44171.00006

The Directors  
Reckson Australia Management Limited  
Level 25  
The Chifley Tower  
2 Chifley Square  
Sydney NSW 2000

Re: U.S. Federal Income Tax Considerations

Ladies and Gentlemen:

The purpose of this opinion, which is to be incorporated into the Product Disclosure Statement (the "PDS") dated on or about August 12, 2005 relating to the issuance of Units in Reckson New York Property Trust (the "Offer"), is to provide Unitholders with an opinion as to the U.S. federal income tax treatment of Reckson Australia LPT Corporation (the "US REIT"). Capitalized terms not otherwise defined in this opinion shall have the respective meanings ascribed to those terms in the PDS.

In rendering this opinion, we have examined and are familiar with the PDS. In addition, we have examined such other documents, certificates and corporate records as we have deemed necessary or appropriate for the purpose of rendering this opinion, including drafts of the documents referred to in Section 9 of the PDS.

This opinion provides only a general overview of the U.S. federal income tax treatment of the US REIT that may be material to Australian investors accepting the Offer; it does not provide any discussion of the direct or indirect non-U.S., U.S. state or U.S. local tax consequences to Australian investors accepting the Offer. This opinion generally discusses the U.S. federal income tax consequences that may be material to Unitholders in the Trust and the Trust's direct investment in the US REIT. This opinion does not address all aspects of U.S. federal income taxation that may be relevant to the US REIT, the Trust or Unitholders of the Trust in light of their particular circumstances.

We have not audited or independently verified the facts upon which we have relied in preparing this opinion. In addition, in preparing this opinion, we have assumed that all representations made by the U.S. REIT, Reckson Associates ("Reckson"), Reckson Operating Partnership, L.P. ("Reckson OP") and Reckson Australia Operating Company LLC ("RAOC") to the best of their knowledge are accurate and complete without regard to such qualification as to the best of such entities' knowledge. Except

NY55/472059.6

The Directors  
Reckson Australia Management Limited  
August 12, 2005  
Page 2

as otherwise specifically noted herein, this information is for general information purposes only and should not be considered the provision of tax advice.

The U.S. REIT and its shareholders may be subject to non-U.S., U.S. state or U.S. local taxation in various jurisdictions, such as those in which the U.S. REIT or RAOC transact business or owns properties. The non-U.S., U.S. state and U.S. local income tax treatment of the U.S. REIT and its shareholders may not conform to the U.S. federal income tax considerations discussed below.

Prospective Unitholders are advised to consult with their own tax advisor regarding the specific tax consequences to them of (i) the purchase, ownership and sale of Units in the Trust, including the U.S. federal, U.S. state, U.S. local and other tax consequences of such purchase, ownership and sale and (ii) the U.S. REIT's election to be taxed as a real estate investment trust ("REIT") for U.S. federal income tax purposes.

#### **Taxation of the US REIT**

Based upon representations that have been made by the officers or other authorized representatives of, respectively, the U.S. REIT, Reckson, Reckson OP and RAOC with respect to certain factual matters relating to the organization and intended or expected manner of operation (including the compliance with all REIT tests, including, without limitation, those described in Section 8.3 of the PDS) of the U.S. REIT, Reckson, Reckson OP and RAOC, Paul, Hastings, Janofsky & Walker LLP ("PHJW") is of the opinion, as of the date hereof, that the U.S. REIT has been organized in conformity with the requirements for qualification as a REIT for U.S. federal income tax purposes, and the U.S. REIT's proposed method of operation as represented by the officers and representatives of the U.S. REIT, Reckson, Reckson O.P. and RAOC will enable the U.S. REIT to satisfy the requirements for such qualification for the taxable year of the U.S. REIT ending December 31, 2005.

The opinion set forth above represents our conclusion as to the application of U.S. federal income tax laws existing as of the date of this opinion. We can give no assurance that legislative enactments, administrative changes or court decisions will not be forthcoming that would modify or supercede our opinion. An opinion of counsel merely represents counsel's judgment with respect to the probable outcome on the merits and is not binding on the U.S. Internal Revenue Service (the "IRS") or the courts. There can be no assurance that positions contrary to our opinion will not be taken by the IRS, or that a court considering the issues would not hold contrary to such opinion.

NY55/472059.6

The Directors  
Reckson Australia Management Limited  
August 12, 2005  
Page 3

The opinion set forth above represents our conclusion based upon the documents, facts, representations and assumptions referred to above. Any material amendments to such documents, changes in any significant facts or inaccuracy of such representations or assumptions could affect the opinion set forth above. Moreover, the U.S. REIT's qualification and taxation as a REIT will depend on its ability to meet, on a continuing basis, through actual operating results, asset composition, income, distribution and diversity of share ownership and various qualification tests imposed by the U.S. Internal Revenue Code of 1986, as amended (the "U.S. Internal Revenue Code") as more specifically described in Section 8.3 of the PDS. PHJW will not review compliance with these tests on a continuing basis. Given the U.S. REIT's expected ownership interest in RAOC and its subsidiaries, the U.S. REIT's qualification as a REIT would depend on the operations and asset composition of RAOC and its subsidiaries. Accordingly, no assurance can be given that the U.S. REIT's actual results for a particular year will satisfy such tests.

The U.S. federal income taxation of the U.S. REIT is highly complex and may be affected by many other considerations. Accordingly, prospective Unitholders are advised to consult with their own tax advisers regarding the specific tax consequences to them of the purchase, ownership and sale of Units in the Trust.

**As required by U.S. Treasury Regulations governing tax practice, you are hereby advised that any written tax advice contained herein was not written or intended to be used (and cannot be used) by any taxpayer for the purpose of avoiding penalties that may be imposed under the Code;**

**The advice was prepared to support the promotion or marketing of the transactions or matters addressed by the written advice; and**

**Any person reviewing this discussion should seek advice based on such person's particular circumstances from an independent tax advisor.**

Very truly yours,



PAUL, HASTINGS, JANOFSKY & WALKER, LLP

NY55/472059.6

## 8.4 INDEPENDENT AUSTRALIAN TAX EXPERT'S REPORT

Deloitte Touche Tohmatsu Ltd  
A.C.N. 41 092 223 240  
AFSL 244541

Grosvenor Place  
225 George Street  
Sydney NSW 2000  
PO Box N250 Grosvenor Place  
Sydney NSW 1217 Australia

DX 10307SSE  
Tel: +61 (0) 2 9322 7000  
Fax: +61 (0) 2 9322 7001  
www.deloitte.com.au

The Directors  
Reckson Australia Management Limited  
Responsible Entity of the Reckson  
New York Property Trust  
Chifley Tower  
2 Chifley Square  
SYDNEY NSW 2000

5 August 2005

Dear Sirs

### **Reckson New York Property Trust (the Trust) Australian Taxation Opinion**

This tax opinion has been prepared for inclusion in a Product Disclosure Statement (PDS) for the offer of Units in the Trust. The PDS is expected to be issued in August 2005.

Defined terms used in this opinion have the same meaning ascribed to them in the PDS, unless otherwise indicated.

This opinion is intended to provide a general overview of the likely Australian income tax, stamp duty and GST implications for persons investing in the Trust (the Unit Holders). It does not address all of the taxation consequences of investing in the Trust. The comments are of a general nature and apply only to Unit Holders who are individuals and residents of Australia for income tax purposes. This opinion does not provide any information in relation to the tax implications for Unit Holders under the tax laws of countries other than Australia. Furthermore, this opinion is only intended to apply to Unit Holders who hold their Units on capital account. It is not intended to apply to Unit Holders who carry on a business of trading in Units or who acquire their Units for the purpose of profit making by sale of their Units.

Potential Unit Holders should be aware that the actual tax implications of investing in the Trust may differ from those summarised in this opinion, depending on their individual circumstances. Applicants should seek advice from their own professional taxation adviser regarding the tax consequences of acquiring, holding and selling Units in the Trust, having regard to their particular circumstances.

Liability limited by the Accountants' Scheme,  
approved under the Professional Standards Act 1994 (NSW).

Member of  
Deloitte Touche Tohmatsu

Our opinion is based on the provisions of the *Income Tax Assessment Act 1936* (the 1936 Act) and the *Income Tax Assessment Act 1997* (the 1997 Act) and the regulations made under those Acts (collectively the Tax Laws) applicable at the date of this opinion. This opinion is also based on the current Double Tax Agreement between Australia and the United States (the Australia-US DTA). It is noted that any of the laws referred to are subject to change periodically, as are their interpretation by the courts and the Australian Taxation Office (ATO).

In providing this opinion we have relied upon certain facts as set out in the PDS that have not been independently reviewed or verified by Deloitte Touche Tohmatsu Limited. The inclusion of this opinion in the PDS is subject to the terms of our consent for its inclusion and to be named in the PDS as set out 9.5 of the PDS.

The representatives of Deloitte Touche Tohmatsu Limited involved in preparing this report are not licensed to provide financial product advice as defined by the Corporations Act 2001. Potential investors may consider seeking advice from an Australian financial services licence holder before making any decision in relation to a financial product. Investors should also note that taxation is only one of the matters that need to be considered when making a decision on a financial product.

## **1. Taxation of the Trust**

Generally speaking, unit trusts such as the Trust are treated as ‘flow through’ entities. That is, they are not liable to pay income tax on their net (i.e. taxable) income, provided that the Distributable Income of the Trust has been distributed to the Unit Holders, or the Unit Holders have a present entitlement to the Distributable Income of the Trust.

Certain trusts can, however, be taxed as companies if they fall within the definition of a “public trading trust”, as defined within Division 6C of the 1936 Act. Provided that neither the Trust, nor entities that the Trust controls, carry on a “trading business”, it should not be classed as a public trading trust.

In this regard, the Trust should not be taken to be carrying on a “trading business” where its activities consist wholly of an investment in the US Real Estate Investment Trust (US REIT) and the activities of the US REIT and its associates consist wholly of investments in commercial properties for the purpose, or the primary purpose, of deriving rent. Based on the proposed activities of the Trust and the US REIT as disclosed in the PDS, it is considered unlikely that the Trust would be classed as a public trading trust. However, this will need to be considered on a year-by-year basis.

In addition, certain trusts can be taxed as companies if they fall within the definition of a “corporate unit trust”, as defined within Division 6B of the ITAA 1936. We have considered the application of these provisions to the Trust and have formed the view that the Trust should not be considered to be a corporate unit trust.

On the basis that the Trust is neither a public trading trust nor a corporate unit trust and assuming that the Trust distributes all of its Distributable Income each year, the Trust should not be subject to tax. Although the Trust will be required to calculate its net income each year, any income tax liability will generally be imposed at the Unit Holder level rather than on the Trust.

The net income of the Trust will include any distributions paid or credited by the US REIT to the Trust that are characterised as a dividend under the Tax Laws.

The amount of US withholding tax withheld from these dividends will also be included in the Trust's net income to, in effect, "gross up" the dividend to its pre-withholding tax amount. A foreign tax credit may be available to the Unit Holders for a proportionate share of the US withholding tax paid, if certain requirements are met (refer to Section 2 for further details of the US withholding tax and foreign tax credits).

The Trust may also receive distributions from the US REIT that will be characterised, for Australian tax purposes, as a return of capital on the US REIT's shares. Such returns of capital should not be included in the Trust's net income. Rather, the Trust's capital gains tax (CGT) cost base in the US REIT shares will be reduced by the amount of the capital returned. If the return of capital, including any previous returns of capital, exceeds the CGT cost base of the shares, a capital gain equal to the excess may arise which will be included in the net income of the Trust. The gain may be eligible for discount capital gains treatment.

The Trust may make a capital gain or capital loss if it disposes of any of its US REIT shares. Any capital gain will be included in the Trust's net income in the year of income the gain arose. If US tax is payable on the gain (refer to comments in the US tax opinion in this regard), Unit Holders may be entitled to a foreign tax credit for the US tax suffered, subject to their own tax position (refer below for further details). The gain may also be eligible for discount capital gains treatment.

The US REIT (and any foreign entities that it controls) will be a controlled foreign company (CFC) of the Trust for Australian tax purposes. The CFC provisions could potentially apply to include certain income and gains derived by the US REIT in the Trust's net income for a year even if such income or gains are not repatriated to Australia in that year. However, there are specific exemptions which apply to REIT's which invest solely in US real property. This means that no amount should be attributed for tax purposes under the CFC provisions to the Trust in respect of its shareholding in the US REIT. There is a similar exemption in the Foreign Investment Fund (FIF) rules which should mean that those provisions should not apply to the Trust's investment in the US REIT.

If the Trust's makes a tax loss in any income year, the loss is not distributable to Unit Holders. The tax loss may be able to be carried forward and utilised by the trust against future assessable income, subject to the Trust satisfying the trust loss provisions of the Tax Laws.

## **2. Taxation of Unit Holders**

### **(a) Acquisition of Units**

Each Unit in the Trust will be a capital gains tax (CGT) asset. A Unit Holder's CGT cost base in a Unit at any particular time should equal the amount the Unit Holder paid to acquire the Unit, adjusted for any tax deferred distributions received from the Trust. We refer to paragraph (b) below for further details in relation to tax deferred distributions. A Unit Holder's CGT cost base in the Units should not be affected by the receipt of discount capital gains from the Trust (refer below). The Unit Holder's cost base may also include incidental costs of acquisition and disposal.

### **(b) Distributions from the Trust**

Unit Holders should include the proportionate share of the Trust's net income to which they become presently entitled in their assessable income for each relevant year. This will include trust distributions that a Unit Holder becomes entitled to but may not receive until after year end. Generally speaking, the Unit Holders will be assessed in the same year in which the Trust derived the income.

The Unit Holder's proportionate share of net income will be determined by their proportional entitlement to the Distributable Income of the Trust. There may be circumstances where the calculation of the Trust's net income for tax purposes and the Distributable Income vary. In circumstances where the Distributable Income of the Trust in a year of income exceeds its net income, the excess amount (referred to as the tax deferred component) should not be subject to income tax in the Unit Holder's hands, however, certain adjustments may be required in respect of the Unit Holder's cost base (refer below).

Where the Trust's net income exceeds its Distributable Income for a year of income, the Unit Holder's should be assessed on their proportionate share of the net income.

The US tax opinion included in this PDS notes that the dividends paid by the US REIT will generally be subject to US withholding tax at the rate of 15%. However, if a Unit Holder's interest in the Trust is deemed to exceed certain specified thresholds (as discussed in the US tax opinion), the dividend paid by the US REIT attributable to that Unit Holder will be subject to US withholding tax at the rate of 30%. It is intended that the increased withholding tax will be borne by the Unit Holder to which it relates such that the Unit Holder will receive a lower distribution from the Trust and a higher potential foreign tax credit.

Furthermore, as also discussed in the US tax opinion, if the US REIT makes a distribution to the Trust that relates to a gain from the sale of US real property (termed a capital gain dividend), there may be US withholding tax imposed at a rate of 35%.

Each component of the Trust's net income will retain its character when assessed in the hands of the Unit Holders. As the income of the Trust should primarily include dividend income derived by the Trust from a foreign source, distributions will also be characterised for tax purposes as foreign source income.

Unit Holders may, subject to meeting certain conditions, be entitled to a foreign tax credit in respect of any foreign taxes incurred by the Trust. The foreign tax credit that may be claimed by a Unit Holder in a year of income is calculated as the lesser of:

- (a) the Unit Holder's share of the amount of foreign taxes paid by the Trust; and
- (b) the Australian tax payable on adjusted foreign income of the same class derived the Unit Holder.

The income derived from the US REIT is likely to be passive foreign income. To the extent that a foreign tax credit cannot be used by a Unit Holder in a year of income because the Unit Holder's share of foreign taxes paid exceeds the Australian tax payable in respect of the class of foreign income derived by the Unit Holder, the foreign tax credit may be carried forward by the Unit Holder for up to five years to offset against future Australian tax payable on foreign source income of the same class.

In a press release accompanying the 2005 Budget the Federal Government announced that it would repeal the foreign tax credit quarantining rules. If enacted, the requirement for the Trust to quarantine foreign tax credits into separate classes will be removed. The press release indicated that the new foreign tax credit rules will apply to income years commencing on or after the date the amending legislation receives Royal Assent. If enacted, these rules may be beneficial to Unit Holders as they make foreign tax credits easier to utilise.

If a capital gain is included in the Trust's net income (such as may arise from the sale of shares in the US REIT), Unit Holders will be treated as having derived a capital gain equal to their proportional share of the net capital gain. If the net capital gain included in the Trust's net income has been calculated using the discount capital gains treatment, Unit Holders will be required to include an additional amount in their assessable income to 'gross up' the amount of the net capital gain to its pre-discount amount. This is required so that the applicable CGT treatment of the capital gain can be determined at the Unit Holder level in accordance with the Unit Holder's particular circumstances. Depending on those circumstances, the capital gain may be eligible for discount capital gains treatment.

Where amounts derived by the Trust are not included in its net income (which may occur where the US REIT makes a distribution that is treated as a return of capital for Australian tax purposes), those amounts will not be included in the Unit Holder's assessable income. These amounts will be treated as tax deferred amounts.

Tax deferred amounts are not assessable to the Unit Holder but, for capital gains tax purposes, will reduce the cost base of the Unit Holder's Units in the Trust. A Unit Holder's CGT cost base in the Units should not be affected by the receipt of discount capital gains from the Trust. If the CGT cost base of the Units is reduced to nil, the Unit Holder will make a capital gain on any further tax deferred amounts received. Any such capital gain may be eligible for discount capital gains treatment.

### **(c) Disposal of Units**

The disposal of Units in the Trust will have CGT implications for the Unit Holder. A capital gain will arise to the Unit Holder where the capital proceeds received from the disposal of

the Units is greater than the Unit Holder's cost base for CGT purposes. A capital loss should arise if the capital proceeds on disposal are less than the Unit Holder's reduced cost base for CGT purposes. Refer to paragraph (a) above for a discussion of the cost base of the Units for CGT purposes.

Discount capital gains treatment may be available to reduce the capital gain realised by the Unit Holder on the disposal of the Units. If a Unit Holder is an individual who has held the Units for at least 12 months prior to disposal, they should be entitled to discount the capital gain arising from the disposal of those Units (after offsetting any capital losses of the Unit Holder) by half. The discount will not be available with respect to capital gains made on the disposal of Units that occurred under an agreement made by the Unit Holder within 12 months of acquiring the Units.

Any capital gain or capital loss derived or incurred by the Unit Holder on the disposal of their Units should be aggregated with any other capital gains or capital losses that the Unit Holder may have in that year to determine the Unit Holder's net capital gain or net capital loss.

A net capital gain is included in the Unit Holder's assessable income. A net capital loss can only be offset against capital gains. Capital losses may be carried forward and offset against future taxable capital gains.

### **3. Withholding of tax from distributions**

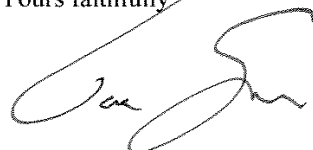
The manager of the Trust is required to deduct Pay-As-You-Go (PAYG) withholding tax from distributions paid to Unit Holders at 48.5% if the Unit Holder has not quoted either their Tax File Number (TFN) or Australian Business Number (ABN) and none of the relevant exemptions apply. Unit Holders should be entitled to an income tax credit for any such tax withheld.

### **4. GST and Stamp Duty**

The acquisition and disposal of Units in the Trust by Unit Holders should not be subject to GST. Similarly, the distributions from the Trust to Unit Holders should not be subject to GST. The Trust itself may not be entitled to recover all of the GST it incurs on purchases. The GST recovery will depend upon the exact nature of the operations of the Trust.

Unit Holders should not be liable for Stamp Duty in respect of Unit acquisitions and disposals.

Yours faithfully



Joe Galea  
Director, Deloitte Touche Tohmatsu Ltd



# **SECTION NINE** MATERIAL CONTRACTS AND ADDITIONAL INFORMATION

## SECTION 9 MATERIAL CONTRACTS AND ADDITIONAL INFORMATION

**Section 9.1** Contains summaries of material contracts

**Section 9.2** Deals with ASX matters

**Section 9.3** Deals with ASIC relief

**Section 9.4** Sets out certain interests which the Corporations Act requires to be disclosed

**Section 9.5** Contains consents of persons named in this PDS

**Section 9.6** Provides information on the compliance plan for the Trust

**Section 9.7** Deals with how complaints are to be handled

**Section 9.8** Discloses the availability of documents

**Section 9.9** Deals with privacy issues

### 9.1 SUMMARY OF MATERIAL CONTRACTS

The following is a summary of material contracts relating to the Trust, the US REIT and the US LLC:

- Trust Constitution (refer to Section 9.1.1)
- Underwriting Agreement (refer to Section 9.1.2)
- Fee Allocation Agreement (refer to Section 9.1.3)
- Custody Agreement (refer to Section 9.1.4)
- Registry Agreement (refer to Section 9.1.5)
- Contribution Agreement (refer to Section 9.1.6)
- Property Management and Leasing Agreement (refer to Section 9.1.7)
- Services Agreement (refer to Section 9.1.8)
- REIT Articles of Amendment and Restatement (refer to Section 9.1.9)
- Amended and Restated Limited Liability Company Agreement (refer to Section 9.1.10)
- Asset Management Agreement (refer to Section 9.1.11)
- Option Agreement (refer to Section 9.1.12)
- Construction Services Agreement (refer to Section 9.1.13)
- Sale Agreement (refer to Section 9.1.14)
- Tax Protection Agreement (refer to Section 9.1.15)

#### 9.1.1 SUMMARY OF THE CONSTITUTION OF THE TRUST

The Trust is governed by a Constitution dated 2 August 2005, as amended from time to time, and has been registered as a managed investment scheme with ASIC, in accordance with Chapter 5C of the Corporations Act.

RAML is the Responsible Entity of the Trust. In exercising its powers and duties as the Responsible Entity of the Trust, RAML must act honestly, with care and diligence and in the best interests of the Unitholders. Where there is conflict, the Responsible Entity must have regard to the interests of the Unitholders over and above its own.

The respective rights and obligations of the Responsible Entity and Unitholders are determined by the Constitution, the Corporations Act, the Listing Rules and this PDS, together with any exemptions and declarations issued by ASIC, and the general law relating to trusts. Neither the provisions of these laws and rules, nor their effect on the Constitution, have been summarised below.

The Constitution is a lengthy and complex document and the following summary is necessarily brief. Therefore investors should confirm all information by reference to the Constitution itself.

#### Units and Unitholders' rights

The beneficial interest in the Trust is divided into Units. A Unit confers an interest in the Trust's property as a whole. It does not confer an interest in any particular asset. A Unitholder holds a Unit subject to the rights and obligations attaching to that Unit.

#### Creation of Units

The Responsible Entity can issue Units in accordance with the Constitution. A person who wishes to apply for Units must lodge a completed Application Form and the Application Monies with the Responsible Entity. The Responsible Entity may, without giving any reason, accept or refuse, in whole or in part, any application for Units.

The Responsible Entity may also, at any time, issue Units in two or more classes and may convert any class of Units to another class.

### **Issue Price of Units and options**

The Constitution contains provisions for calculating the Issue Price of Units issued to establish the Trust and any future Issues. While the Trust is listed, the Issue Price will be the Market Price (as defined in the Constitution).

Subject to the Listing Rules, the Responsible Entity may issue partly paid Units. Unitholders must pay a call on the Unit in accordance with the Constitution and the terms of issue. The Units issued under this PDS are partly paid Units. Where a date fixed for payment of a call is not a business day, the call is due on the immediately preceding business day.

To the extent that it is permitted to do so by an ASIC exemption, the Responsible Entity may also issue Units by way of a rights offering, placement, unit purchase plan or a distribution reinvestment and options over Units at a price determined by the Responsible Entity, provided the conditions of the ASIC exemption are satisfied.

### **Partly paid Units and forfeiture**

The Constitution provides for interest on unpaid calls and where calls remain unpaid, for the forfeiture and sale of the partly paid Units. If the Units are Officially Quoted, the sale may be required to take place by public auction in accordance with the Corporations Act.

The Responsible Entity may apply any amount payable to the relevant Unitholder under the Constitution to pay amounts unpaid under any call (including accrued interest and all costs and expenses incurred in relation to the unpaid call).

From the date a Unitholder is issued with a forfeiture notice, the Unitholder ceases to be the holder of the Unit but remains liable to the Responsible Entity for all amounts owing in relation to the Unit (including the amount of the unpaid call, any unpaid interest and all costs incurred in relation to the forfeiture).

The Responsible Entity also has a first and paramount lien over every Unit for unpaid calls and other monies payable to the Responsible Entity by the Unitholder in relation to a Unit (including over all distributions and other money payable from time to time). The Responsible Entity may sell Units subject to the lien, as if the Units had been forfeited.

If the net proceeds of sale following forfeiture or enforcement of a lien are insufficient to cover the amounts owing on the Unit, then the Unitholder remains liable for the difference between the net proceeds of sale and the sum of those amounts.

Where the Responsible Entity has appointed underwriters to underwrite the payment of a call, the Responsible Entity may agree (and has in this case agreed) to pay the Underwriters the excess of the price paid by the Underwriters (i.e. equal to the call) over the market price of those Units ("Difference"). In this circumstance the Unitholder is liable to pay that Difference to the Responsible Entity and the Responsible Entity may assign to the Underwriters its rights to recover that Difference against a Unitholder whose Units have been forfeited and sold. Such assignment will not affect the ability of the Responsible Entity or the Underwriters to recover the Difference or other unpaid amounts (including interest and costs incurred) from the Unitholder.

### **Options and financial instruments**

The Responsible Entity has the power to issue other financial instruments for which the Trust may be liable (for example, instruments which secure the repayment of debt or instruments which are exchangeable for or convertible into Units) for consideration or no consideration and on such other terms as the Responsible Entity determines.

### **Income**

The Responsible Entity will determine the distributable income of the Trust for each Financial Year which will generally be based on the Net Income of the Trust for that Financial Year. On and from the last day of each financial year, Unitholders are entitled to receive distribution of the Distributable Income of the Trust based on the number of Units held. The Constitution provides that, if the Responsible Entity approves, Unitholders may choose to reinvest some or all of any distribution by acquiring more Units in the Trust. A distribution may be paid in cash or assets or by way of bonus Units. The Responsible Entity may also decide to make an interim distribution or to return capital to Unitholders in any way permitted by law. The Responsible Entity may deduct from distributions any tax that it is required by law to deduct or from such amount, or any tax that it is required by law to pay for or in respect of or on account of any Unitholder. If additional US withholding tax is withheld from any dividends or distributions paid to the Trust as a consequence of the characteristics of any particular Unitholder (including the number or percentage of Units on Issue held by the Unitholder) that additional US withholding tax will be allocated to that Unitholder and will be deducted from the distributable income payable to that Unitholder.

A Unitholder must notify the Responsible Entity if at any time, its beneficial ownership of Units exceeds:

- 5% of the total Units on Issue; and
- 10% of the total Units on Issue.

### **Transfers**

Units may be transferred by an instrument in writing authorised by the Corporations Act, or subject to the Corporations Act, in any form approved by the Responsible Entity or in any manner permitted by an applicable uncertificated trading system.

In this PDS, the Responsible Entity has approved the transfer by Unitholders of their Units on ASX. All such transfers must be effected in accordance with the Listing Rules.

Restricted securities (as defined in the Listing Rules), however, may not be transferred.

Subject to the Corporations Act, the Listing Rules or the rules of any applicable uncertificated trading system, the Responsible Entity may refuse to register any transfer of Units.

### **Small holdings**

The Constitution provides the Responsible Entity with the power to sell or redeem, without request by the Unitholder, any Units held by a Unitholder which comprise less than a marketable parcel, as notified by the Responsible Entity to Unitholders. Sales or redemption of this type may only be made once during any 12 month period. The Responsible Entity will provide the Unitholder six weeks' notice of such proposed sale or redemption. If within this notice period the Unitholder advises the Responsible Entity that the Unitholder wishes to retain the Units, the Responsible Entity will not sell or redeem the relevant Units.

### **Minimum holding**

Upon the provision of 30 days' notice, the Responsible Entity may establish (by reduction or increase) a minimum number of Units which must be held at any time.

### **Entitlements on death**

If a Unitholder dies, the survivor or legal personal representatives of the deceased will be the only persons recognised by the Responsible Entity as having any title to the Unitholder's interests in the Unit.

On the production of information as required by the Responsible Entity, a Unitholder's legal personal representative or the manager of the estate of the Unitholder is entitled to the same distributions from the Trust as the Unitholder.

### **No redemption**

A Unitholder cannot redeem Units while the Trust is listed on ASX.

### **Liability of Unitholders**

The Constitution states that each Unitholder's liability to the Responsible Entity or the Trust is limited to the amount (if any) which remains unpaid in relation to the Unitholder's subscription for their Units.

This provision seeks to ensure that if the Issue Price has been fully paid, no Unitholder will be personally liable to indemnify the Responsible Entity or any creditor of the Responsible Entity in the event that the liabilities of the Trust exceed its assets. However, the ultimate liability of Unitholders in unit trusts has not been finally determined by the courts and so it is possible that this limitation of liability may not be effective in all circumstances.

### **The Responsible Entity's powers and duties**

The Responsible Entity holds the Trust's assets on trust, and may manage these assets as if it were the absolute owner of them, subject only to its duties and obligations to Unitholders.

Examples of the Responsible Entity's powers include acquiring or disposing of any real or personal property, borrowing or raising money, encumbering any asset, incurring any liability, giving any indemnity, providing any guarantee, applying for listing of the Trust, entering into derivative and currency swap arrangements and entering into underwriting arrangements.

The Responsible Entity is specifically empowered to enter into the underwriting agreement, fee allocation agreement and custodian agreement and to do any other thing which is necessary to give effect to the transactions described in this PDS.

The Responsible Entity may appoint delegates or agents to perform any act or exercise any of its powers as well as advisers to assist it with its duties and functions.

### **Exchange of Units in the Trust for units in another scheme**

The Responsible Entity may, in relation to some or all Unitholders, transfer assets of the Trust having a value equal (as nearly as practicably possible) to the value of the Units of the relevant Unitholders to another unit trust (Successor Scheme) in exchange for the issue to those Unitholders in the Successor Scheme with an equivalent total Issue Price (as nearly as practicably possible) or cause the Units of the relevant Unitholders to be transferred to the trustee or custodian of the Successor Scheme in exchange for the Issue to the relevant Unitholders of Units in the Successor Scheme with an equivalent total Issue Price (as nearly as practicably possible). The Responsible Entity may only do this if it believes that to do so is in the interests of the Unitholders as a whole, or is not materially adverse to those Unitholders and to the Unitholders as a whole.

Subject to the Corporations Act, if with the approval of the Responsible Entity, an offer is made to one or more Unitholders to transfer some or all of their Units in consideration of any or all of:

- the issue or transfer of units in another trust, scheme or interests of whatever nature in another entity;
- a cash payment; or
- a transfer of assets of the Trust,

and if no Unitholder has made an election at the end of a 21 day notice period, the Unitholder will be taken to have accepted the offer. Where the offer is of cash and one or more alternatives, the Unitholder is taken to have elected to accept the cash alternative. Where there are one or more non-cash alternatives, the Unitholder is taken to have elected to accept the alternative determined by the Responsible Entity.

### **Interested dealings**

Subject to the Corporations Act, the Responsible Entity (in its personal capacity or in any capacity other than as responsible entity of the Trust) and any of its associates may:

- deal with or be interested in any contract, transaction or matter with the Responsible Entity (as responsible entity of the Trust) or any Unitholder; or
- act as trustee or responsible entity for any other trust or managed investment scheme; or
- deal with any entity in which the Responsible Entity holds an investment on behalf of the Trust; or
- undertake any other business activity (including any activities relating to Land of the same kind that the Trust may have an interest in); and
- none of them, unless they have contracted otherwise, has any obligation to present or grant any right over any Property (including Land) to the Trust;

and, in each case, the Responsible Entity (or any associate) may retain for its own benefit all profits or benefits derived from that activity.

### **Valuation of assets**

The Responsible Entity may at any time cause the valuation of any asset of the Trust, and must do so if required by ASIC or the Corporations Act. The value of an asset will be its market value unless the Responsible Entity determines otherwise.

Where the Responsible Entity values an asset at other than its market value, the valuation methods and policies applied by the Responsible Entity must be capable of resulting in the calculation of an Issue Price that is independently verifiable.

### **Responsible Entity's indemnities**

The Corporations Act provides that a responsible entity's right to be indemnified out of scheme property for liabilities incurred in relation to the performance of its duties must be available only in relation to the proper performance of those duties.

The Responsible Entity has a right of indemnity out of the Trust property on a full indemnity basis in respect of a matter unless, in respect of that matter, the Responsible Entity has acted negligently, fraudulently or in breach of trust. This indemnity continues after the Responsible Entity retires or is removed as responsible entity of the Trust and is subject to the Corporations Act (which in certain circumstances may impose limits on the Responsible Entity's right to indemnity).

### **Responsible Entity's limitation of liability**

The Constitution provides that, subject to the Corporations Act, the Responsible Entity is not liable for any loss or damage to any person (including any Unitholder) arising out of any matter unless, in respect of that matter, it acted otherwise than in accordance with the Constitution and without a belief held in good faith that it was acting in accordance with the Constitution. Subject to the Corporations Act, the liability of the Responsible Entity in relation to the Trust is limited to the assets of the Trust from which the Responsible Entity is entitled to be and is in fact, indemnified. In particular, subject to the Corporations Act, the Responsible Entity is not liable for any loss or damage to any person arising out of any matter where, in respect of that matter:

- to the extent permitted by law, it relied in good faith on the services of, or information or advice from, or purporting to be from, any person appointed by the Responsible Entity;
- it acted as required by law; or
- it relied in good faith upon any signature, marking or document.

### **Remuneration and recovery of expenses by the Responsible Entity**

The Responsible Entity can charge management fees as summarised in Sections 6.2 and 6.6. The Responsible Entity may share its fees with third party advisers.

The base management fee otherwise payable to the Responsible Entity in any relevant period will be reduced by the Trust's proportionate share of the amount of any fee identified as being referable to the base management fee (or expense reimbursement in lieu of such fee) paid in the relevant period to any associate of Reckson providing asset management and/or advisory services in relation to an entity which directly or indirectly holds an asset or property in which the Trust has a direct or indirect interest.

Subject to the Corporations Act and the Listing Rules, the Responsible Entity may be paid a fee for work performed in connection with the Trust in its personal capacity and not in its capacity as the responsible entity of the Trust. The Responsible Entity may retain any such fee for its own purposes and is not required to account for the fee to the Trust or Unitholders.

In addition to these fees, any other right of indemnity under the Constitution or the law, the Responsible Entity is indemnified and entitled to be reimbursed out of the assets of the Trust for all expenses reasonably and properly incurred in connection with the Trust or in performing its obligations under the Constitution.

### **Indemnity of compliance committee**

If any member of a compliance committee established by the Responsible Entity in connection with the Trust incurs a liability in that capacity in good faith, the Responsible Entity may indemnify the member out of the Trust property, to the extent permitted by the Corporations Act.

### **Incurring of liability**

The Responsible Entity is not required to do anything which involves it incurring any liability unless its liability is limited in a manner satisfactory to it.

### **Amendment of Constitution**

Subject to the Corporations Act, the Responsible Entity may amend the Constitution.

### **Restriction on issue of interest**

The Responsible Entity cannot Issue any Units or any other interests in the Trust from the 80th anniversary of the Commencement Date if that Issue would cause a contravention of the rule against perpetuities or any other rule of law or equity.

### **Duration of Trust and procedure on termination**

The Trust will terminate on the earliest of:

- the date specified by the Responsible Entity in a notice given to Unitholders; and
- the date on which the Trust is terminated in accordance with another provision of the Constitution or by operation of law.

On termination of the Trust, the net proceeds from realisation of the Trust property will be distributed among the Unitholders in proportion to the number of Units they hold. All liabilities of the Trust, any unpaid fees payable (or to be payable) to the Responsible Entity and any expenses of termination will be deducted from the net proceeds from realisation before they are distributed to Unitholders. The Responsible Entity may transfer assets to any Unitholder holding Units having a value in excess of an amount as determined by the Responsible Entity in satisfaction of that Unitholder's entitlement in the scheme property. The value of the assets transferred will be calculated at market value and the expenses incurred in transferring the assets will be borne by the Unitholder. The Responsible Entity may postpone the realisation of any asset for as long as it thinks it is desirable to do so in the interests of Unitholders and may also retain for as long as it thinks fit sufficient assets to meet any outgoing or liabilities in respect of the Trust. The Responsible Entity will not be responsible for any loss attributable to such a postponement.

### **Convening meetings of Unitholders**

The Responsible Entity may at any time convene a meeting of Unitholders and must do so when required by the Corporations Act. A meeting must be held in accordance with the terms of the Constitution, the Listing Rules and the Corporations Act. A resolution validly passed at a meeting is binding on all Unitholders (whether or not present), except in circumstances where the Corporations Act required a resolution to be passed at a meeting Unitholders, a resolution in writing signed by Unitholders together holding the number of votes necessary for the resolution to be passed is a valid resolution of the Unitholders.

### **Change of Responsible Entity**

The Responsible Entity may retire as the responsible entity of the Trust as permitted by the Corporations Act and must retire as the responsible entity of the Trust when required by law. When the Responsible Entity retires or is removed, subject to the Corporations Act, the Responsible Entity is released from all obligations in relation to the Trust arising after the time it retires or is removed. Subject to the Listing Rules and the Corporations Act, the Responsible Entity is entitled to agree with the incoming responsible entity that it will be paid by or receive a benefit from the incoming responsible entity in connection with retiring as responsible entity and is not required to account to Unitholders for such payment or benefit.

## Complaints

The Trust Constitution contains provisions relating to the handling of Unitholder complaints.

## Notices

Subject to the Corporations Act, a notice from the Responsible Entity must be given in writing and may be sent to the Unitholder's physical or electronic address as recorded on the Trust register.

Subject to the Corporations Act, a notice or other communication from the Responsible Entity to a Unitholder sent by:

- post, is taken to be received on the business day after it is posted;
- fax, is taken to be received one hour after the transmitter receives confirmation of the transmission from the receiving fax machine; and
- other means, is taken to be received at the time the Responsible Entity determines.

The Responsible Entity may give notice to joint Unitholders by giving it to the Unitholder first named in the Trust register for that holding.

## Responsible Entity indemnified by Unitholders for tax liability

The Responsible Entity is entitled to be indemnified by a Unitholder or a former Unitholder to the extent that it incurs any liability for tax as a result of the Unitholder's action or inaction or as a result of an act or omission requested by the Unitholder or former Unitholder.

## Joint Unitholders

Joint Unitholders are jointly and severally liable in respect of all payments.

### 9.1.2 SUMMARY OF THE UNDERWRITING AGREEMENT

RAML, Reckson and the Joint Lead Managers and Underwriters have entered into the Underwriting Agreement for the management and underwriting of the Offer. Pursuant to that agreement, RAML must pay each Joint Lead Manager and Underwriter an underwriting fee of 1.25% and a management fee of 0.25% of the Application Monies and the Final Instalment.

The Joint Lead Managers and Underwriters are entitled to receive from RAML all reasonable travel and out-of-pocket expenses and reasonable legal costs and disbursements incurred by the Joint Lead Managers and Underwriters in relation to the Offer. The Joint Lead Managers and Underwriters are also entitled to recover all other reasonable costs, expenses and disbursements in relation to the Offer. Further, RAML agrees to indemnify the Joint Lead Managers and Underwriters and their related parties from all losses directly or indirectly suffered in connection with:

- (a) the issue of the PDS or the Units, and the conduct of the Offer;
- (b) any non-compliance by RAML with the Corporations Act, or other applicable law in relation to the Offer; or
- (c) any breach by RAML of its obligations, representations, warranties and undertakings given in the Underwriting Agreement.

The Joint Lead Managers and Underwriters must pay or procure payment of:

- any shortfall in the Offer to RAML so that all of the Units can be validly issued;
- the aggregate amount of any unpaid Final Instalments to RAML, by acquiring those Units on-market or at public auction, and in turn RAML must issue or transfer the Units for which the Joint Lead Managers and Underwriters have paid or procured such payment, to the Joint Lead Managers and Underwriters.

The Underwriting Agreement contains various representations and warranties made by both RAML and the Joint Lead Managers and Underwriters to each other, and additional representations from RAML to the Joint Lead Managers and Underwriters. Furthermore, the Underwriting Agreement contains various obligations of RAML, including that they must offer the Units in accordance with the Underwriting Agreement, the PDS and the timetable and that RAML must apply for the Offer Units to be quoted on ASX.

The Underwriting Agreement contains termination events. They are set out below. Those marked \* are subject to a general materiality test to the effect that the relevant event shall not entitle an Underwriter to terminate unless, in the reasonable opinion of that Underwriter, the event:

- has, or is likely to have, a material adverse effect on the financial condition, financial position or financial prospects of the Trust or the market price of the Offer Securities or the success, marketing or settlement of the Offer; or
- leads, or is likely to lead to a contravention by that Underwriter of, or that Underwriter being involved in a contravention of, the Corporations Act or any other applicable law; or to a liability for that Underwriter under the Corporations Act or any other applicable law.

### Right of termination prior to Allotment Date

If any one of the following events occurs at any time prior to the Allotment Date (or such other period specified in the relevant event) then an Underwriter may terminate its obligations under the underwriting agreement (without cost or liability to itself) by notice in writing to the Responsible Entity (with a copy to the other Underwriter) specifying the relevant event:

- **(index change)**: the S&P/ASX 200 Index or the S&P/ASX 200 Property Index either falls 15% or more below its Starting Level and remains 15% or more below the Starting Level for two or more consecutive business days; or falls 15% or more below its Starting Level on a day which is less than two business days before the Allotment Date and remains 15% or more below the Starting Level on each subsequent business day until the Allotment Date;
- **(Reckson Associates)**: Reckson Associates is or becomes insolvent or NYSE suspends quotation of the shares of common stock in Reckson Associates for two or more consecutive NYSE Trading Days or Reckson Associates ceases to be listed on NYSE;
- **(ASIC stop order)**: ASIC gives notice of an intention to hold a hearing or issues an order or interim order under section 1020E(2) or 1020E(5) of the Corporations Act or ASIC applies for an order under sections 1324B or 1325 of the Corporations Act in relation to the Offer Document, or gives notice of an intention to prosecute the Responsible Entity or any of its Directors; or an application is made by ASIC for an order under Part 9.5 of the Corporations Act in relation to the Offer Document or ASIC commences an investigation or hearing under Part 3 of the Australian Securities and Investments Commission 1989 (Cth) in relation to the Offer Document;
- **(ASX approval)**: unconditional approval (or conditional approval, provided such condition would not, in the reasonable opinion of the Joint Lead Managers and Underwriters, have a material adverse effect on the success or settlement of the Offer) by ASX for the admission of the Trust to the official list of ASX and for official quotation of the Units is refused, or is not granted before the settlement date (or such later date agreed in writing by the Underwriters in their absolute discretion) or is withdrawn on or before the settlement date;
- **(consent)**: any person (other than the Joint Lead Managers and Underwriters) whose consent to the issue of this PDS is required by the Corporations Act refuses to give their consent or having previously consented to the issue of the Offer Document withdraws such consent;
- **(lodgement)**: RAML fails to lodge this PDS with ASIC on or before the lodgement date specified in the timetable in the underwriting agreement (or such later date approved in writing by the Underwriters);
- **(certificate)**: a certificate which is required to be furnished by RAML and Reckson under the agreement is not furnished when required or a statement in that certificate is untrue, incorrect or misleading in a material respect;
- **(timetable)**: any event specified in the timetable in the underwriting agreement is delayed for more than two business days without the prior written consent of the Joint Lead Managers and Underwriters;
- **(withdrawal)**: RAML withdraws this PDS, any Supplementary PDS or any part of the Offer without the consent of the Joint Lead Managers and Underwriters;
- **(material adverse change)**: a material adverse change occurs or becomes known in the financial position, results of operations or prospects of RAML, Reckson Associates or the Trust;
- **(supplementary PDS)**: a Supplementary PDS must, in the reasonable opinion of the Joint Lead Managers and Underwriters, be lodged with ASIC under the Corporations Act because the PDS is or becomes defective within the meaning of section 1021B(1) of the Corporations Act; a Supplementary PDS is lodged with ASIC because the PDS is or becomes defective within the meaning of section 1021B(1) of the Corporations Act; or RAML lodges a Supplementary PDS without the written consent of the Joint Lead Managers and Underwriters;
- **\*(misrepresentation or breach)**: a representation or warranty given by RAML in the underwriting agreement proves to be, or has been, or becomes, untrue or incorrect;
- **\*(breach)**: RAML or Reckson fails to perform or observe any of its obligations under the agreement;
- **\*(material adverse change in financial markets)**: there occurs an adverse change or disruption to the political or economic conditions or financial markets of Australia, the United Kingdom, the United States of America or the international financial markets or any change or development involving a prospective adverse change in any of those conditions or markets;
- **\*(unauthorised alterations)**: without the prior written consent of the Joint Lead Managers and Underwriters, which consent shall not be unreasonably withheld or delayed, RAML alters the Constitution;
- **\*(compliance)**: a contravention by RAML or Reckson of any provision of its constitution, the Constitution, the Corporations Act or any requirement of ASX or any other applicable law (except to the extent that compliance with any applicable law has been waived, or an exemption or modification granted, by a government agency having authority to do so);
- **\*(Director)**: a Director or executive officer of RAML or Reckson Associates is charged with an indictable offence relating to any financial or corporate matter or any regulatory body commences any public action against the Director in his or her

capacity as a Director of RAML or announces that it intends to take any such action; or is disqualified from managing a corporation under sections 206B, 206C, 206D, 206E, 206F or 206G of the Corporations Act;

- **\*(change in law in Australia):** there is introduced into the Parliament of the Commonwealth of Australia or any State or Territory of Australia a law or any new regulation is made under any law, or a Government Agency, adopts a policy, or there is a public announcement on behalf of the Government of the Commonwealth of Australia or any State or Territory of Australia that such a law or regulation will be introduced or policy adopted (as the case may be);
- **\*(change in law in United States):** there is introduced into any state legislature or federal congress of the United States of America a law or any new regulation is made under any law, or a Government Agency, the United States Federal Reserve or any United States regulatory authority (whether state or federal) adopts a policy, or there is a public announcement on behalf of any state legislature or federal congress of the United States of America or a Government Agency, the United States Federal Reserve or any United States regulatory authority (whether state or federal) that such a law or regulation will be introduced or policy adopted (as the case may be);
- **\*(hostilities):** hostilities not presently existing commence (whether war has been declared or not) or a major escalation in existing hostilities occurs (whether war has been declared or not) involving any one or more of Australia, New Zealand, the United States of America, any member of State of the European Union, Indonesia, Japan or the People's Republic of China or a significant terrorist act is perpetrated anywhere in the world;
- **\*(trading of securities):** trading in all securities quoted on ASX is suspended or limited in a material respect for one business day (or substantially all of a business day); trading in all securities quoted on NYSE is suspended or limited in a material respect for one NYSE Trading Day (or substantially all of an NYSE Trading Day); or trading in all securities quoted on LSE is suspended or limited in a material respect for one LSE Trading Day (or substantially all of an LSE Trading Day);
- **\*(banking moratorium):** a general moratorium on commercial banking activities in Australia, the United Kingdom or the United States of America is declared by the relevant central banking authority in any of those countries and remains in force for two consecutive business days, or there is a material disruption in commercial banking or security settlement or clearance services in any of those countries which remains in force for two consecutive business days;
- **\*(PDS):** the PDS omits any information required by the Corporations Act, contains a statement which is misleading or deceptive or otherwise fails to comply with the Corporations Act; or
- **\*(material contracts):** any material contract summarised in this PDS is terminated (whether by breach or otherwise), rescinded, altered or amended in a material respect without the prior written consent of the Joint Lead Managers and Underwriters (which consent shall not be unreasonably withheld) or any such contract is found to be void or voidable or, if any of those contracts summarised in this PDS are not signed by the date of lodgement of this PDS, it is agreed that any of them will not be signed or will be signed in a form which is materially different from the summary or in a form which is not on terms which are acceptable to the Joint Lead Managers and Underwriters acting reasonably.

#### **Right of termination after Allotment Date**

If any one of the following events occurs between the Allotment Date and the Instalment Shortfall Sale Date an Underwriter may terminate its obligations to underwrite payment of the Final Instalment (without cost or liability to itself) by notice in writing to the Responsible Entity specifying the relevant event:

- **(suspension):** ASX suspends quotation of the Units for three or more consecutive trading days or removes the Trust from the official list of ASX;
- **(certificate):** the certificate which is required to be furnished by the Responsible Entity under the underwriting agreement is not furnished when required or a statement in that certificate is untrue, incorrect or misleading in a material respect;
- **\*(breach or contravention):** the Responsible Entity, the Reckson Entity or Reckson Associates or any Director or executive officer of the Responsible Entity, the Reckson Entity or Reckson Associates commits any act of fraud, contravenes the Scheme Constitution or any applicable law or agreement, fails to perform any obligation under the agreement or a representation or warranty given by the Responsible Entity or the Reckson Entity under the agreement is untrue or incorrect;
- **(solvency):** the Trust, the Responsible Entity or Reckson Associates is or becomes insolvent;
- **\*(material contracts):** any of the Transaction Documents or any other of the material contracts summarised in the Offer Document is terminated (whether by breach or otherwise), rescinded, altered or amended in a material respect without the prior written consent of the Underwriters (which consent shall not be unreasonably withheld) or is found to be void or voidable;
- **(responsible entity):** the Responsible Entity indicates an intention to retire as responsible entity of the Trust or ceases to be the responsible entity of the Trust without the prior written approval of the Underwriters.

### **Effect of termination**

The exercise by one Underwriter of its right to terminate does not automatically terminate the obligations of the other Underwriter. The remaining Underwriter must elect whether it also wishes to terminate or if it wishes to assume the obligations of the terminating Underwriter within two business days of the terminating Underwriter terminating its obligations. If the remaining Underwriter fails to give notice it shall be treated as having also terminated its obligations.

### **9.1.3 SUMMARY OF THE FEE ALLOCATION AGREEMENT**

This agreement between RAML, Reckson and US REIT sets out the allocation of fees payable to RAML under the Constitution, as referred to in Sections 6 and 9.1.1) and Reckson (under the Asset Management Agreement, as referred to in Section 9.1.11) for services provided under both agreements.

Under the Fee Allocation Agreement:

- RAML is entitled to receive the management fees under the Constitution; and
- Reckson is entitled to receive asset management fees referable to the management fee (“Asset Management Fee”).

This agreement provides that:

- (a) the amount paid to RAML under the Constitution and the amount paid to Reckson under the Asset Management Agreement will not exceed the total of the management fees, calculated in accordance with the Constitution; and
- (b) Reckson agrees that its entitlement to the Asset Management Fee will be reduced to the extent necessary to ensure that RAML has an entitlement to the management fee under the Constitution sufficient to provide for the working capital requirements of RAML from time to time, as reasonably determined by the Directors of RAML in consultation with Reckson; and
- (c) to the extent that Reckson or RAML would otherwise be entitled, under the Asset Management Agreement or the Constitution (as applicable), to receive a fee for any year that is greater than the fee payable to it for that year under paragraph (b) above, Reckson and RAML each agrees that the additional fee is waived.

The Fee Allocation Agreement terminates when all the parties agree in writing, where RAML is no longer the responsible entity of the Trust or where Reckson is no longer the ultimate holding company of RAML, whichever is earlier. If this agreement terminates, then the fee allocation arrangements between RAML and Reckson will cease. As a result, the responsible entity of the Trust from time to time will be entitled to the full management fee, and Reckson will be entitled to the full Asset Management Fee, and neither fee may be reduced to the extent the other has been paid.

### **9.1.4 SUMMARY OF THE CUSTODY AGREEMENT**

Under this agreement the Responsible Entity appoints Trust Company of Australia Limited to act as custodian of the Trust assets. The custodian must only act on instructions from the Responsible Entity.

The agreement is in generally standard terms for a custody agreement of this type and complies with all relevant ASIC requirements. It contains relevant reporting requirements and key performance indicators.

The agreement does not have a fixed or initial term – it may be terminated by either party giving the other 90 days’ notice or immediately for a limited range of causes, including the bankruptcy of, or material non-compliance by, the other party.

### **9.1.5 SUMMARY OF THE REGISTRY AGREEMENT**

Before Allotment, the Responsible Entity will enter into a Registry Agreement with the Registry in relation to the Trust. Under that agreement, the Responsible Entity appoints the Registry to provide registry services for the Trust, including maintaining the register of Unitholders, receiving and responding to enquiries relating to the Offer, and providing transaction processing services, project management and ongoing support throughout the Offer.

### **9.1.6 SUMMARY OF THE CONTRIBUTION AGREEMENT**

This agreement (the “Contribution Agreement”) between Reckson’s affiliate Reckson Operating Partnership, L.P., certain subsidiaries of Reckson, the US REIT and the US LLC contains terms and conditions applicable to the contribution of Reckson’s ownership or leasehold interests in the Properties and/or ownership interests in the owners of the Properties which are subject to the Tranche 1 Closing, the Tranche 2 Closing and the Tranche 3 Closing other than those Properties which are subject to the Sale Agreement. The contribution does not include certain personal property in the nature of sculptures and artwork which will be subject to licence agreements permitting the US LLC to display, use and enjoy such excluded personal property.

### **Contribution of the Properties in tranches; consideration**

The contribution of the Properties is intended to occur in three tranches. The anticipated Closing Date for the Tranche 1 Closing, the Tranche 2 Closing and the Tranche 3 Closing is on 30 September 2005, 5 January 2006 and 30 September 2006, respectively. Each of the closings is subject to adjournment in accordance with the terms of the Contribution Agreement. The aggregate consideration for the Properties which are subject to the Contribution Agreement is approximately US\$457,531,235 and consists of cash, ownership interests, and assumption of debt, or a combination of cash, ownership interests and assumption of debt.

The Contribution Agreement permits Reckson to redistribute the Properties among the tranches, together with a corresponding adjustment in the allocation of the consideration in respect of such tranches, subject to the reasonable consent of the US LLC.

### **Contribution of interests in entities in lieu of asset transfer**

If Reckson reasonably determines, prior to any or all of the Closings, that transfers of all of Reckson's interests in and to any Property owning entity to the US LLC in lieu of an asset sale or contribution of such Properties would result in a material savings in costs, expenses or other liabilities to be incurred by Reckson, then Reckson may notify the US LLC of Reckson's desire to effectuate such entity transfer and the US LLC shall reasonably approve or disapprove such entity transfer.

In connection with such entity transfer, Reckson shall provide such additional representations, warranties, indemnifications, and documentation as may be reasonably requested by the US LLC and customarily required in similar transactions.

### **1031 Exchange of certain properties**

The Contribution Agreement permits Reckson to assign Properties to a qualified intermediary to facilitate a tax free exchange by Reckson of such Properties for properties of like kind acquired by Reckson that would not result in the recognition of a tax gain or loss to Reckson pursuant to the US Internal Revenue Code. If such an assignment occurs, each assigned Property will no longer be subject to the provisions of the Contribution Agreement, the consideration and contribution cap will be adjusted accordingly, and each such Property will instead be sold to the US LLC by such qualified intermediary in accordance with the process set forth in the Sale Agreement.

### **Debt**

The Contribution Agreement contemplates that certain (i) existing debt will either be assumed by the US LLC or paid off by the US LLC, (ii) fixed rate debt in the approximate amount of US\$248,000,000 will be entered into by Reckson and assumed by the US LLC prior to the Tranche 1 Closing and will encumber Properties in Tranche 1 and Tranche 3 (the "Fixed Rate Debt") and (iii) floating rate debt in the approximate amount of US\$72,000,000 will be entered into by the US LLC prior to the Tranche 2 Closing and will encumber Properties in Tranche 1 and Tranche 2 (the "Floating Rate Debt"). Any debt entered into by Reckson and assumed by the US LLC must provide for the release of Reckson to effectuate such assumption. Reckson has the exclusive right to negotiate the terms and conditions of all debt, subject to consultation with, and reasonable approval by the US LLC.

The initial debt facilities utilised by US LLC will be primarily commercial mortgages. These facilities will provide for certain amounts to be provisioned in relation to ongoing capital expenditure, tenant incentives, leasing commissions, insurances and taxes. These facilities may also benefit from limited guarantees provided by US LLC and in certain circumstances Reckson.

### **Representations, warranties and indemnities**

The parties to the Contribution Agreement will make certain customary representations and warranties subject to appropriate materiality standards and knowledge qualifiers. The Contribution Agreement provides that certain Property related representations and warranties survive the applicable closing for a period of 12 months.

Reckson will indemnify the US LLC with respect to breaches of Reckson's representations and warranties, however, no claim is actionable unless claims for all such breaches and inaccuracies collectively aggregate more than US\$500,000 with respect to all Properties subject to the Contribution Agreement, in which event the amount of all claims in excess of such US\$500,000 shall be actionable (subject to a cap of US\$25,000,000 (the "Contribution Cap")), subject to certain carve-outs in regarding substitute estoppels delivered by Reckson and any other indemnified matters identified in the Contribution Agreement. No claim for a breach or inaccuracy shall be actionable or payable if the breach or inaccuracy in question results from a condition, state of facts or other matter expressly disclosed in any third party report or in any schedule attached to the Contribution Agreement.

The US LLC and the US REIT will indemnify Reckson with respect to breaches of the US LLC's and the US REIT's representations and warranties.

The Contribution Agreement requires each party first to seek recovery from other available sources prior to seeking recovery from the other.

### **As-is contribution**

With the exception of the representations and warranties and the substitution rights described above, the Contribution Agreement generally provides that the US LLC accept the Properties on an "as is, where is" basis with all faults, from the date of the Contribution Agreement.

### **Failure of Reckson or the US LLC to perform**

If the US LLC shall materially default in the performance of its obligations under the Contribution Agreement (a) prior to the Tranche 1 Closing after applicable notice and cure periods then, Reckson, may either in its sole and absolute discretion, (i) seek specific performance of such obligations or (ii) terminate the Contribution Agreement and recover from the US LLC and/or US REIT Reckson's actual out-of-pocket costs in connection with the Contribution Agreement, and (b) after the Tranche 1 Closing but before the Tranche 2 Closing or Tranche 3 Closing, Reckson, may either in its sole and absolute discretion, (i) seek specific performance of such obligations or (ii) terminate the Contribution Agreement and seek liquidated damages from the US LLC and/or the US REIT in an amount of 5% of the total consideration due with respect to the remaining terminated Tranches.

If Reckson shall materially default in the performance of its obligations under the Contribution Agreement after applicable notice and cure periods then, the US LLC may either (a) in its sole and absolute discretion, seek specific performance of such obligations or (b) terminate the Contribution Agreement and recover from Reckson the US LLC's actual, out-of-pocket costs incurred in connection with the Contribution Agreement.

### **Condemnation and casualty**

If, at any time, an amount of the Properties greater than or equal to (as reasonably determined by Reckson) 15% or more of the total consideration (the "Contribution Termination Right Threshold") of the Properties to be contributed to the US LLC pursuant to the Contribution Agreement are taken by eminent domain or destroyed by fire or other casualty in the aggregate and not replaced by a "substitute property", the US LLC shall have the right to terminate the Contribution Agreement with respect to all remaining Tranches.

### **Conditions precedent to Reckson's obligations**

Reckson's obligations to effectuate the closings with respect to the applicable Properties on the applicable Closing Date are subject to the satisfaction of the following conditions precedent on or before the applicable closing (unless waived by Reckson):

- Delivery of closing documents and any required payments shall have occurred.
- Representations and warranties shall be true and correct in all material respects as of the date of the Contribution Agreement and as of the applicable Closing Date.
- The US LLC and the REIT shall have performed all covenants and other obligations in all material respects.
- The Floating Rate Debt shall have been obtained and shall be entered into at the applicable Closing by the US LLC or its relevant subsidiaries.
- To the extent any debt is being assumed, the US LLC shall have (i) executed and delivered instruments assuming such debt and (ii) delivered executed releases of Reckson under any such debt from all applicable lenders.
- Fulfilment of conditions and requirements for the listing of the Trust on ASX and quotation of its securities shall have occurred.
- Relevant Underwriting Agreement transactions shall have been closed.

### **Conditions precedent to the US LLC's obligations**

The US LLC's obligations to effectuate the Closing with respect to the applicable Properties on the Closing Date are subject to the satisfaction of the following conditions precedent on or before the Closing (unless waived by the US LLC):

- Delivery of closing documents (including estoppels for leases aggregating 70% of leased rentable square footage).
- Representations and warranties shall be true and correct in all material respects as of the date of the Contribution Agreement and as of the Closing Date.
- Reckson shall have performed all covenants and other obligations in all material respects.
- All required consents shall have been obtained.
- All obligations of Reckson due under certain brokerage agreements shall have been paid or credited with respect to the applicable Closing.
- The title company shall be prepared to issue the title policies in accordance with the Contribution Agreement.
- All existing management property contracts with respect to the Properties shall have been terminated at Reckson's sole cost.
- The Fixed Rate Debt shall have been obtained and shall be entered into at the applicable Closing by Reckson.
- Fulfilment of conditions and requirements for the listing of the Trust on ASX and quotation of its securities shall have occurred.
- Relevant Underwriting Agreement transactions shall have closed.

### **Failure to satisfy Closing conditions**

If Reckson shall fail to satisfy any of Reckson's closing conditions ("CA Closing Condition Failures") applicable to any Closing, then without limiting any other right or remedy to which the US LLC may be entitled, the US LLC shall be entitled to (i) terminate the Contribution Agreement in its entirety (provided that the US LLC shall not have the right to terminate the Contribution Agreement until the US LLC shall have terminated the Contribution Agreement with respect to one or more Properties aggregating in value of greater than or equal to the contribution termination right threshold pursuant to the Contribution Agreement), or (ii) terminate the Contribution Agreement with respect to the affected Property only (in which event the consideration shall be reduced by the portion thereof allocated to such Property, and the Contribution Cap shall be proportionately reduced).

### **Substitution and termination rights for title, survey, casualty and condemnation; Option Properties**

The Contribution Agreement permits Reckson to substitute any Property affected by a title or survey defect or a casualty or condemnation (such title or survey defect, casualty or condemnation event, together with CA Closing Condition Failures, collectively, "Contribution T.S.C.C. Events").

The Contribution Agreement provides, notwithstanding the US LLC's right to terminate the Contribution Agreement with respect to certain Contribution T.S.C.C. Events, if one or more Properties eliminated from the Contribution Agreement by any combination of Contribution T.S.C.C. Events and not replaced by a "substitute property" and on a collective basis such Contribution T.S.C.C. Events aggregate in value greater than the Contribution Termination Right Threshold, then Reckson shall have the right to terminate the Contribution Agreement.

In the event a Property is eliminated from the Contribution Agreement as a result of a Contribution T.S.C.C. Event, Reckson may substitute another property for such eliminated Property provided that such substitute property is generally consistent with the characteristics of the Properties and has a value equal or greater to the value of the eliminated Property as mutually determined by Reckson and the US LLC.

Properties which are eliminated from the Contribution Agreement for Contribution T.S.C.C. Events and not replaced by a "substitute property" shall become an Option Property.

### **Apportionments; Closing costs**

- The consideration with respect to the applicable Properties is subject to certain apportionments as may be customary in real estate closings of commercial properties in the New York Tri-State area.
- The US LLC shall pay all mortgage recording taxes.
- The US REIT shall pay all costs for title insurance, survey, third party reports, prepayment premiums and penalties on any loan encumbering any of the Properties required to be paid prior to any Closing, costs charged in connection with permitted debt financing or assumption of certain financing, loan assumption fees and transfer taxes.

### **9.1.7 SUMMARY OF THE PROPERTY MANAGEMENT AND LEASING AGREEMENT**

An exclusive property management and leasing agreement (the "Property Management and Leasing Agreement") is to be entered into for each Property by each Property owning entity ("Owner") with Reckson's affiliate Reckson Management Group, Inc. or another Reckson affiliate. The US LLC guarantees the payment obligations of Owner under the Property Management and Leasing Agreement. If Owner acquires any other property other than through any of the Contribution Agreement, Sales Agreement or Option Agreement, Reckson shall have the right at its sole discretion to enter into a similar property management and leasing agreement relating to such acquired property.

### **Reckson's duties**

Reckson will manage each Property in the same manner as similar types of properties owned by Reckson in the New York tri-state market area, acting in a prudent, efficient and economic manner with respect to the protection of and accounting for the Owner's assets. Owner acknowledges that Reckson acts as property manager and leasing agent for other properties in the New York Tri-State market area which may be competitive with the Property.

Reckson will not be required to spend its full time and attention in the management and operation of any Property, but Reckson will devote to each Property such portion of its time as may be reasonably necessary to accomplish the objectives of the Property Management and Leasing Agreement.

Subject to Owner's general oversight, control and consent, Reckson's functions include:

- making all day-to-day decisions in connection with the operation of each Property;
- performing all services normally provided by a property manager to tenants of the comparable properties;
- collecting all rents, security deposits, charges, proceeds and other amounts on behalf of the Owner;

- using commercially reasonable efforts to secure full tenant compliance with the terms of the leases;
- if requested by Owner, disbursing mortgage payments and other expenses on behalf of Owner;
- procuring and maintaining all applicable property, casualty, general liability, excess liability and environmental insurance policies with commercially reasonable deductibles for the Property and reviewing all insurance certificates submitted by tenants at the Property to verify coverage in accordance with their respective leases;
- entering into contracts, consents, service agreements, purchase orders, equipment leases and other agreements on behalf of Owner in the ordinary course of management of the Property (provided that contracts for services which are in excess of US\$50,000, are not in accordance with the annual budget or are not terminable without penalty on 60 days' notice or less must be authorised by Owner);
- establishing and maintaining records, books and accounts of the income and expenditures related to the Property, subject to examination, review and extraction by Owner or its authorised representative;
- upon the request of Owner, preparing monthly reports showing the current rent roll, occupancy reports, operating statements showing the revenue collected and costs and expenses incurred or paid;
- upon the request of Owner, preparing quarterly statements of receipts and disbursements;
- in cooperation with Owner's asset and services manager, preparing annual budgets and asset plans for the Property for review and approval by Owner as well as monitoring conditions and circumstances affecting the viability of the annual budget;
- maintaining the Property in good, orderly, clean, safe, sanitary and sightly condition;
- taking all action reasonably required to cause Owner to comply with all obligations under all contracts, leases, notes, mortgages and other documents and instruments relating to the Property provided to Reckson;
- keeping the Property free from liens, charges and encumbrances arising out of the operation of the Property except for any mortgage (or other financing of which Owner approves) and any other lien, charge and encumbrance approved by Owner;
- contesting real estate tax assessments and bills upon the request of Owner;
- developing an overall leasing strategy for the Property in consultation with Owner, including developing relationships with external leasing brokers to market space, developing marketing campaigns and materials for vacant space, preparing the Property for tours and show space to prospective tenants; and
- using commercially reasonable efforts to manage the Property so that all of the rental income from the Property qualifies as "rents from real property" as that term is defined in the US Internal Revenue Code, and so that all other income earned by Reckson with respect to the Property falls within the relevant "real estate investment trust" categories within the US Internal Revenue Code.

#### Fees

- Reckson will be reimbursed for all out-of-pocket costs incurred in the performance of its services under the Property Management and Leasing Agreement to the extent provided for in the approved annual budget or as otherwise approved by Owner.
- Reckson will receive from Owner on a monthly basis a property management fee of 3.5% of the gross revenues received.
- Reckson will receive from Owner a leasing commission in connection with the leasing of space at the Property, including renewals, extensions and expansions, equal to 100% of a commission calculated in accordance with the rates set forth below in Table A, provided, that if an outside broker is paid a leasing commission in connection with leasing of space at the Property, including renewals, extensions and expansions, Reckson will receive a leasing commission equal to 50% of a commission calculated in accordance with the rates set forth in Table A. The leasing commissions shall be paid to Reckson upon the execution and delivery of such lease documents.

**Table A**

<b>Locale</b>	<b>Leasing Commission Term</b>	<b>New; Expansions</b>	<b>Renewals</b>
Westchester County	1-3	6.0%	3.0% for entire renewal period (but not less than 50% of what Owner must pay to an outside broker)
	4-10	3.0%	
	11-end	2.0%	
Long Island	1-3	7.0%	3.0% for entire period (but not less than 50% of what Owner must pay to an outside broker)
	4-10	3.0%	
	11-end	3.0%	
Northern New Jersey	For all years	5.0% for entire term	5.0% for entire renewal period
Fairfield County	1-5	5.0%	5.0%
	6-10	2.5%	2.5%
	11-end	1.0%	1.0%

### **Liability and indemnification**

The Property Management and Leasing Agreement provides for customary mutual indemnification obligations with carve-outs for fraud, gross negligence or wilful misconduct. Each party's liability is limited to the amount of actual direct damages suffered by the other party and neither party shall be entitled to any consequential, punitive or special damages.

### **Term and termination**

The Property Management and Leasing Agreement commences on the date of execution and extends for three years, and unless otherwise terminated, automatically renews for three additional three year terms unless either party gives notice of its desire not to renew the Property Management and Leasing at least 90 days prior to the termination thereof.

The Property Management and Leasing Agreement shall terminate if the Property is sold.

Reckson may terminate the Property Management and Leasing Agreement:

- upon 30 days, if the Property is taken in its entirety by eminent domain, or as a result of any casualty after which all improvements on the Property cannot be restored to substantially their original condition within 180 days after the date of the casualty;
- if it is determined by any applicable governmental authority that the Property fails to comply with any applicable laws and, after request by Reckson, Owner (i) fails to provide Reckson with adequate funds, or (ii) otherwise fails to provide Reckson with adequate cooperation to repair, remedy or satisfy such violation, within applicable notice and cure periods;
- if after a loan default beyond any applicable notice and cure periods under applicable loan documents, unless the Property lender agrees to assume Owner's obligations to pay Reckson for its services;
- upon 10 days' prior written notice to Owner in the event Reckson determines in its sole and absolute discretion that such termination is advisable to maintain the "real estate investment trust" status of Reckson; and
- upon 30 days' notice to Owner (i) if Reckson is no longer the construction manager of the Property or (ii) if Reckson is no longer the services manager pursuant to the Services Agreement with the US LLC.

Owner may terminate the Property Management and Leasing Agreement:

- if any one or more senior officers of Reckson has engaged in a fraudulent act for the personal benefit of such officer which causes material economic harm to the Property or Owner and such loss is not covered by insurance or is not rectified by Reckson.

Either Owner or Reckson may terminate the Property Management and Leasing Agreement:

- upon 30 days' notice by either party, if Reckson is no longer the Responsible Entity of the Trust;
- upon a material default by the other party continuing past applicable notice and cure periods;
- should the other party assign its rights or obligations in a manner not permitted and such unauthorised assignment is not cured within 10 business days after notice; and
- by either party upon an insolvency event occurring to the other party.

### **Other activities; no fiduciary duty**

Reckson, and its respective directors, officers, employees and agents, will be permitted to, and will, engage in, acquire, hold or otherwise have any interest in, or enter into any agreement with respect to, any activity or business of any nature or description including the acquisition, ownership, financing, leasing, operating, construction, rehabilitation, renovation, improvement, management and development of real property and will owe no duty to refrain from engaging in the foregoing (collectively, "Independent Ventures").

Reckson will not have any obligation to present, or grant rights of first offer, refusal or other similar rights with respect to any Independent Venture to Owner or to communicate potential transactions or other corporate opportunities.

Reckson will not owe any fiduciary duty to, nor will any such person be liable for breach of fiduciary duty to, Owner or any of its affiliates by reason of the Property Management and Leasing Agreement or any other arrangement or relationship among the parties.

### **9.1.8 SUMMARY OF THE SERVICES AGREEMENT**

Under this agreement (the "Services Agreement") between the US LLC and Reckson's affiliate Reckson Management Group, Inc., Reckson is responsible for providing portfolio management and other portfolio-related services to the US LLC.

#### **Reckson's duties**

Under the Services Agreement, Reckson's duties include:

- performing and/or supervising the performance of, certain administrative, asset management and supervisory management functions in connection with the day-to-day management of the US LLC and its operations;
- carrying out and facilitating any acquisition, disposition or financing activities authorised by the US LLC;

- performing any of the following services: internal and external financial reporting, property accounting, member relations, supervision of registrar and transfer services, and other services related to the foregoing and deemed by Reckson to be necessary and appropriate;
- recommending to the US LLC such measures and courses of action as Reckson believes will best preserve, enhance and realise the value of the US LLC's investment in its assets;
- using diligent good faith efforts to maintain adequate policies and procedures so as not to cause the US REIT or Reckson to fail to satisfy any REIT requirements under the US Internal Revenue Code or to fail to satisfy the annual distribution requirements under the US Internal Revenue Code;
- causing REIT compliance guidelines to be established and furnished to the US REIT or Reckson, and periodically supplemented and revised as necessary;
- assisting the US LLC in identifying and evaluating financing and refinancing opportunities consistent with the US LLC's business purposes and analysing, evaluating and making recommendations with respect to financings, refinancings and dispositions by the US LLC or any of its subsidiaries;
- preparing an annual business plan for the US LLC and implementing such business plan;
- recommending to the US LLC such measures and courses of action as Reckson believes in its reasonable judgement will optimise net cash flow, maintain the highest level of portfolio occupancy possible, maintain the highest possible tenant retention rate, and best preserve and enhance the physical assets and equipment, all in order to realise the best possible financial performance and highest possible value of each asset and the asset portfolio;
- assisting the US LLC in evaluating acquisition, financing, refinancing, conversion and disposition opportunities consistent with US LLC's investment objectives and any applicable restrictions appearing in the governing documents of the US LLC, and analysing, evaluating and, as approved by the US LLC, effecting acquisitions, financings, refinancings, development, conversion and disposition of the assets;
- performing risk management duties;
- using diligent good faith efforts to ensure that the US LLC and all other subsidiaries of the US LLC comply in all material respects with the terms of all loan documents and legal requirements affecting any such persons and/or the assets;
- maintaining portfolio cash flow forecasts in a cash flow model reasonably acceptable to the US LLC;
- providing the US LLC with historical investment return analyses from the date of acquisition of the assets and projections of future returns;
- assisting the US LLC in identifying, recommending and preparing investment memorandum for potential acquisitions and dispositions;
- monitoring supply and demand fundamentals of office and commercial real estate markets in locations where the US LLC holds assets;
- developing debt financing strategies for the assets and supervising the procurement of such debt financing for the US LLC;
- creating and implementing annual asset plans, including operating and capital budgets, leasing and operating plans for the US LLC's portfolio of assets;
- overseeing sub-contracted services, as appropriate;
- developing plans for and recommending extraordinary capital expenditures with respect to its assets;
- retaining services of accountants, legal counsel, appraisers, insurers, brokers, transfer agents, registrars, developers, banks and other lenders and others;
- if requested by the US LLC, establishing bank accounts for the US LLC, depositing into and disbursing from such accounts any monies on behalf of the US LLC and rendering appropriate accountings of these transactions to the US LLC;
- maintaining true and accurate books for the the US LLC;
- causing financial statements of the US LLC to be audited and certified by the US LLC's accountant at the end of the US LLC's fiscal year;
- causing to be prepared and delivered to the US LLC audited year-end financial statements; unaudited six month and fiscal quarter financial statements and monthly operating statements; and
- performing any additional services as may be requested by the US LLC to which Reckson agrees to perform.

## Expenses

The US LLC will reimburse Reckson for:

- all out-of-pocket expenses incurred in connection with the performance of its obligations, including third party costs such as legal, accounting, tax, and other such expenses (Reckson is also entitled to reimbursement for its internal legal and accounting personnel who provide services to the US LLC);
- all other third-party costs and expenses relating to the US LLC's operations, including, without limitation, the costs and expenses of undertaking activities and procedures for the US LLC which maintain the REIT status of the US REIT and Reckson and acquiring, owning, financing, protecting, maintaining and disposing of the US LLC's investments, including appraisal, reporting, audit and legal fees, and investigation and due diligence expenses;
- all insurance costs incurred in connection with the operation of the US LLC or its assets;
- expenses connected with payments of interest or distributions in cash or any other form made by the US LLC to or on account of holders of securities of the US LLC;
- expenses connected with communications to holders of securities of the US LLC and related expenses;
- transfer agent and registrar's fees and charges; and
- expenses relating to any office or office facilities maintained for the US LLC separate from the office or offices of Reckson.

## Compensation

Reckson will be entitled to receive the following compensation, payable on the closing of the acquisition, disposition or debt placement, as applicable, with respect to each asset:

- Acquisition fees equal to 1.0% of the purchase price of assets directly or indirectly acquired by the US LLC from unaffiliated third parties or Reckson if such assets were acquired by Reckson from a third party within 12 months of such asset's transfer to the US LLC. The acquisition fee will not be payable with respect to the Properties or the Option Properties.
- Disposition fees equal to 1.0% of the sale price of any and all assets directly or indirectly disposed of by the US LLC less any fees paid to third parties by the US LLC for the same service.
- Debt placement fees equal to 0.50% of the principal amount of any borrowing (including the maximum amount available under such borrowing whether or not drawn by (i) the US REIT, (ii) the US LLC or (iii) any entity which directly or indirectly holds an assets in which the US REIT or the US LLC has a direct or indirect interest, including, without limitation, any working capital credit facility) in connection with the acquisition or ownership, including, without limitation, refinancing of assets directly or indirectly held by the US LLC less any fees paid to third parties by the US LLC for the same service. The debt placement fees will not be payable with respect to the initial debt on the Properties or the Option Properties.
- Due diligence fees equal to 0.25% of the purchase price of any and all assets directly or indirectly acquired by the US LLC whether or not such assets were acquired from unaffiliated third parties or Reckson. The due diligence fees will not be payable with respect to the Initial Portfolio or the Option Properties.

## Term

The initial term of the Services Agreement is three years and is renewable automatically for three successive three year terms, unless either party elects not to renew on not less than 90 days' notice prior to the applicable expiration date.

The US LLC has the right to terminate the Services Agreement only under the following circumstances:

- if Reckson materially defaults in the performance or observance of any of its express material obligations and such material default continues beyond the applicable cure period after written notice from the US LLC;
- if any one or more senior officers of Reckson engages in a fraudulent act for the personal benefit of such officer which causes economic harm to the US LLC and such loss is not covered by insurance or not rectified by Reckson within 10 business days after receipt of written notice from the US LLC demanding correction;
- Reckson files a petition in bankruptcy, or a petition in bankruptcy is filed against Reckson, and such petition is not dismissed within 60 days after filing, or a trustee, receiver or other custodian is appointed for a substantial part of Reckson's assets and is not vacated within 60 days of appointment, or Reckson makes an assignment for the benefit of its creditors;
- upon 30 days' notice to Reckson, if Reckson is no longer the Responsible Entity of the Trust; or
- upon the sale of the US LLC's last remaining property.

Reckson has the right to terminate the Services Agreement only under the following circumstances:

- if the US LLC materially defaults in the performance or observance of any of its express material obligations and such material default continues beyond the applicable cure period after written notice from the US LLC;
- upon 30 days' notice to the US LLC, if Reckson is no longer the Responsible Entity of the Trust;

- at Reckson's election, upon 30 days' notice to the US LLC, in the event that (and each time that) any Property Management Agreement or Construction Services Agreement for any property is terminated by the US LLC or its Affiliates for any reason;
- upon 10 days' prior written notice to the US LLC in the event Reckson determines that such termination is advisable to maintain the "real estate investment trust" status of Reckson; or
- upon the sale of the US LLC's last remaining property.

#### **Liability and indemnification**

The Services Agreement provides for customary mutual indemnification obligations with carve-outs for fraud, gross negligence, or wilful misconduct. Each party's liability is limited to the amount of actual direct damages suffered by the other party, however, Reckson's liability is limited to an aggregate amount equal to the lesser of (i) the aggregate amount of fees actually received by Reckson pursuant to the Services Agreement and (ii) the amount of actual direct damages suffered by the US LLC, and neither party shall be entitled to any consequential, punitive or special damages.

#### **Other activities; no fiduciary duty**

Reckson, and its respective directors, officers, employees and agents, will be permitted to, and will, engage in, acquire, hold or otherwise have any interest in, or enter into any agreement with respect to, any activity or business of any nature or description including the acquisition, ownership, financing, leasing, operating, construction, rehabilitation, renovation, improvement, management and development of real property and will owe no duty to refrain from engaging in the foregoing (collectively, "Independent Ventures").

Reckson will not have any obligation to present, or grant rights of first offer, refusal or other similar rights with respect to any Independent Venture to the US LLC or to communicate potential transactions or other corporate opportunities.

Reckson will not owe any fiduciary duty to, nor will it be liable for breach of fiduciary duty to, the US LLC or any of its affiliates by reason of the Services Agreement or any other arrangement or relationship among the parties.

#### **9.1.9 SUMMARY OF THE REIT'S ARTICLES OF AMENDMENT AND RESTATEMENT**

These articles of amendment and restatement (the "Articles") constitute the charter (or constitution) of Reckson Australia LPT Corporation ("US REIT") as subsequently amended from the original charter (the "Charter"). The US REIT is formed for the purpose of engaging in any corporate activity permitted under the laws of the State of Maryland, United States of America (including a REIT).

#### **Stock**

The US REIT is authorised to issue common stock and Preferred Stock.

All of the common stock will be owned by the LPT. The Preferred Stock will be held by at least 100 persons in order that the US REIT may satisfy certain US REIT tax rules.

The Board of Directors, without shareholder approval, may:

- classify or reclassify any unissued shares of common stock or Preferred Stock in one or more classes or series of stock.
- amend the Charter to increase or decrease the aggregate number of shares of stock of any class or series that the US REIT has the authority to issue; and
- authorise the issuance of stock of the US REIT of any class or series, or securities or rights convertible into shares of its stock of any class or series, for such consideration as the Board of Directors may deem advisable.

#### **Voting**

Each holder of common stock will have one vote for each share of common stock held of record for all matters to be voted on by the stockholders.

Any extraordinary action (e.g. mergers, sales of substantially all of the assets, etc.) will require the affirmative vote of holders of at least a majority of the outstanding shares of common stock.

#### **Dividends and distributions**

Dividends will be paid in cash when and if authorised by the Board of Directors.

Dividends will be paid on a pro rata basis with respect to common stock, and in accordance with the terms of any class for any other stock. The preferred stock will pay a fixed dividend.

#### **No pre-emptive rights**

Except as may be provided by the Board of Directors in setting the terms of classified or reclassified shares of stock or as may otherwise be provided by contract, no stockholder will have any pre-emptive right to purchase or subscribe for any additional shares of stock of the US REIT, which it may issue or sell.

### **Directors**

- The Charter provides for a board of directors comprising of three members, which number can be increased or decreased pursuant to the by laws.
- The names of the directors who will serve until their successors are duly elected and qualify are: Scott Rechler, Jason Barnett and Michael Maturo.
- Any director may be appointed and removed at any time with or without cause by the affirmative vote of the holders of a majority of the outstanding shares of common stock.
- Directors will serve until they resign or are removed.

### **Restrictions on transfer and ownership of shares**

Other than certain “excepted holders”, no individual may beneficially own more than 9.9% of the value of the outstanding shares of the US REIT’s common stock, and no person may constructively own more than 9.9% of the vote or value of the outstanding shares of the US REIT’s common stock. The Board of Directors has the power to increase the 9.9% limit and to designate a higher limit for any “excepted holder”.

Any purported transfer of beneficial ownership of stock that would result in the US REIT being (1) in breach of certain provisions of the US Internal Revenue Code relating to the US REIT’s eligibility to be taxed as a REIT, (2) treated as a pension-held REIT under the US Internal Revenue Code or (3) subject to the US Investment Company Act of 1940 will be void from inception.

If a transfer of shares of beneficial ownership of stock occurs in breach of the Charter, the number of shares of stock purportedly transferred will be deemed to have been transferred to a trustee of a trust for the exclusive benefit of one or more charitable beneficiaries. Such a transfer would be effective as of the close of business on the business day prior to the date of the breach of the charter. Any dividends or other distributions with respect to such shares after the effective date would be payable to the charitable trust. Upon a sale of such shares by the charitable trust, the Trust would generally be entitled to the lesser of: (1) the fair market value of such shares on the day immediately preceding the effective date of the transfer; and (2) the sales price received by the charitable trust.

### **REIT qualification**

The board of directors is required to take such actions as are necessary or appropriate for the US REIT to maintain its qualification as a REIT. However, if the board of directors determines that it is no longer in the best interests of the US REIT to continue to be qualified as a REIT, it may revoke or otherwise terminate the US REIT’s REIT election.

### **Information required to be provided by certain shareholders**

Shareholders owning more than a certain percentage of stock (as determined by the board of directors) are required to provide information regarding their ownership of stock of the US REIT. In addition, stockholders of record are required to provide information in order to allow the US REIT to comply with certain REIT requirements.

### **9.1.10 AMENDED AND RESTATED LIMITED LIABILITY COMPANY AGREEMENT**

This agreement (the “US LLC Agreement”), to be entered into between Reckson Australia Holdings LLC or its wholly owned subsidiary (“Holdings” or “Non-Managing Member”) and Reckson Australia LPT Corporation (“US REIT” or “Managing Member”), constitutes the definitive governance agreement for Reckson Australia Operating Company LLC (“US LLC”) as amended from the original document. This entity will serve as the operating company for the business.

### **Term**

The term of the US LLC will continue in perpetuity unless sooner terminated in accordance with the provisions of the US LLC Agreement.

### **Members**

The US LLC will initially have two Members: one Non-Managing Member (i.e. Holdings) and one Managing Member (i.e. the US REIT).

### **Capital contributions**

The Members will make capital contributions (consisting of property, cash or other assets) to the US LLC pursuant to the Contribution Agreement.

The Members have no obligation to make any additional capital contributions or loans to the US LLC. Except for the redemption right described below, no Member is entitled to the withdrawal or return of its capital contribution, except to the extent of its distributions or upon liquidation.

### **Interests**

The Company is initially authorised to issue two classes of interests: Common Interests (“US LLC Units”) and Preferred Interests (“US LLC Preferred”).

The Members' respective interest in the US LLC in respect of their US LLC Units will be as follows:

Managing Member: 75%

Non-Managing Member: 25%

The US LLC will issue preferred units that mirror the terms of the preferred stock issued by the US REIT.

All of the US LLC Preferred is held by the Managing Member.

The Managing Member is authorised to cause the US LLC to issue to the Members or other persons additional US LLC Units in one or more classes, or one or more series of any of such classes, subject to the approval of a majority of interests of the Non-Managing Members, except, in the case of new issuances of US LLC Units, in connection with the contribution of assets to the US LLC.

Notwithstanding the foregoing, no additional US LLC Units will be issued to the US REIT, unless either (a) (1) the additional US LLC Units are issued in connection with an issuance by Reckson New York Property Trust (the "LPT") of LPT Units (the proceeds of which must be contributed to the US REIT in exchange for shares of the US REIT), and (2) the US REIT must, in turn, make a capital contribution to the US LLC in an amount equal to the proceeds raised in connection with such issuance of LPT Units or (b) the additional US LLC Units are issued to all Members in proportion to their respective Percentage Interests.

### **LPT Units**

After the initial public offering of the LPT Units, the LPT will not issue any additional LPT Units (other than to all holders of LPT Units in which event Holdings will have the pre-emptive rights described below) unless (i) the LPT contributes to the US REIT and (ii) the US REIT contributes such amount to the US LLC an amount equal to the net proceeds from the issuance of such additional LPT Units in which event the US LLC will issue to the US REIT, US LLC Units or rights, options, warrants or convertible or exchangeable securities of the US LLC having designations, preferences and other rights, all such that the economic interests are substantially similar to those of the additional LPT Units and the US REIT will issue interests in the US REIT to the LPT.

The LPT will contribute to the US REIT, and the US REIT will contribute in turn to the US LLC, an amount equal to the net proceeds raised in connection with the initial public offering.

### **Pre-emptive rights**

Under the US LLC Agreement, no person has any pre-emptive, preferential or other similar right with respect to additional capital contributions to the US LLC or the issuance or sale of any US LLC Units, except as provided below.

Without the consent of any Member, Holdings will have the right to make additional capital contributions up to an amount necessary to maintain a 25% Percentage Interest in the US LLC on the same terms and conditions (including the price per US LLC Unit actually paid by the US REIT) as any capital contributions made.

### **Distributions**

The Managing Member will distribute pro rata in respect of the US LLC Units at least quarterly an amount equal to 100% of Available Cash generated by the US LLC during such quarter or shorter period to its current Members.

### **Allocations**

The US LLC's items of income, gain, loss and deduction will be allocated among Members as follows:

- After giving effect to certain special allocations, net income will be allocated to Members in accordance with their respective Percentage Interests.
- After giving effect to certain special allocations, net losses will be allocated to Members in accordance with their respective Percentage Interests.
- Non-recourse Liabilities of the US LLC in excess of the amount of US LLC Minimum Gain will be allocated among the Members using any reasonable method allowed by the US tax regulations.
- Any gain allocated to the Members upon the sale or other taxable disposition of any US LLC asset will, to the extent possible, after taking into account certain other required allocations, be characterised as recapture income in the same proportions and to the same extent as such Members have been allocated any deductions directly or indirectly giving rise to the treatment of such gains as Recapture Income.

### **Management**

The Members delegate to the Managing Member the sole responsibility for managing the business and affairs of the US LLC on a day-to-day basis other than the "Major Decisions" described below.

No power or right granted to the Managing Member pursuant to the US LLC Agreement will have the effect of reducing the Managing Member's fiduciary duty to the Non-Managing Members.

The Managing Member has fiduciary duties to the US LLC. However, if the Managing Member is an affiliate of Holdings and learns of a potential transaction or matter that may be a corporate opportunity for Holdings and the US LLC, the Managing Member has no duty to communicate or offer such opportunity to the US LLC, the US REIT or the LPT.

The Managing Member will not, nor will it have the power to, bind the US LLC with respect to any of the following “Major Decisions” without the prior written consent of a Non-Managing Member Majority:

- merger or consolidation involving the US LLC or any of its subsidiaries with any other entity;
- amendments to the US LLC Agreement or certificate of formation;
- any agreement to which the Company and the Managing Member (or their affiliates) are parties;
- liquidation or dissolution of the US LLC and any of its subsidiaries (subject to Reckson’s right to compel liquidation upon the occurrence of a RE Trigger Event);
- disposition of all or substantially all of the assets by the US LLC and any of its Subsidiaries;
- the incurrence of any indebtedness in excess of 55% debt to total assets on an aggregate basis (include financing or refinancing) or the creation of any material lien, security interest, encumbrance on any material asset of the US LLC and any of its subsidiaries;
- recapitalisation, reclassification, combination, split or the issuance of any US LLC Units or similar transactions, except, in the case of new issuances of US LLC Units, in connection with the contribution of assets to the US LLC;
- any expansion of the scope of the business or activities of the US LLC;
- the making of certain distributions, except in the ordinary course of business;
- any action that would jeopardise the qualification of Reckson as a real estate investment trust;
- approval of the annual budget.

The Managing Member will not be compensated for its services as Managing Member.

#### **Outside activities and affiliates of Managing Member**

Neither the Managing Member nor the LPT will enter into or conduct any business other than in connection with the ownership, acquisition and disposition of US LLC Units and, in the case of the LPT, US REIT interests, and the management of the business of the US LLC, and, in the case of the LPT, the US REIT, and such activities as are incidental thereto.

#### **Redemption rights**

On or after the date two years after the closing of the initial public offering of LPT Units by the LPT, each Non-Managing Member will have the right to require the US LLC to redeem, in exchange for all or a portion of the US LLC Units held by such Non-Managing Member, the cash amount (i.e. generally equal to the then market value of an LPT Unit times the number of US LLC Units to be redeemed) unless the US REIT elects, in its sole discretion, to pay the (i) cash amount or (ii) the US REIT Shares Amount (i.e. generally equal to one US REIT share in exchange for each US LLC Unit). If the US REIT elects to pay the US REIT Shares Amount, the LPT agrees to grant to the Redeeming Member the right to exchange the US REIT Shares Amount for the applicable LPT Unit Amount. If the Redeeming Member elects to exchange its US REIT Shares Amount (an “Exchanging Member”), LPT will take all necessary actions to issue an amount of LPT Units equal to the LPT Unit Amount.

If the LPT would be prohibited for any reason from issuing LPT Units equal to the LPT Unit Amount to the Exchanging Member, the LPT, the US REIT or the US LLC will be required to pay the Cash Amount to the Exchanging Member for all or a portion of the US REIT Shares Amount.

The LPT agrees, at its sole cost and expense, to take any actions required to permit the unrestricted resale of the LPT Units on ASX by the Exchanging Member, promptly following the receipt of the LPT Units.

#### **Rights of Non-Managing Members**

Each Non-Managing Member will have the right to obtain the following information:

- copy of the US LLC’s federal, state and local tax returns for each US LLC year;
- current list of the name and last known business, residence or mailing address of each member;
- copy of the Agreement and the certificate and all amendments, together with executed copies of all powers of attorney;
- true and full information regarding the amount of cash and a description and statement of any other property or services contributed by each Member and which each Member has agreed to contribute in the future, and the date on which each became a member;
- any reasonable request by the Non-Managing Members that does not interfere with the operations of the US LLC or breach a confidentiality obligation to a third party; and
- any information reasonably necessary to determine its qualification as a REIT and to properly file any reports or tax returns that it is obligated to file with the SEC, IRS, etc.

### **Transfers and admission**

- The Managing Member may not transfer any of its US LLC Units or withdraw as a Member (including as a Managing Member) without the consent of a Non-Managing Member Majority. Such consent will not be unreasonably withheld.
- Except with respect to certain permitted transfers, a Non-Managing Member may not transfer any of its US LLC Units or withdraw as a Member without the consent of the Managing Member. Such consent will not be unreasonably withheld.
- In addition to transfers pursuant to Redemption Rights, a Non-Managing Member may, without the consent of the other Members, transfer its US LLC Units in whole or in part to (i) any affiliate of such Non-Managing Member or (ii) in connection with any pledge of its interest as a security for any borrowings of such Non-Managing Member from a lender not affiliated with such Non-Managing Member, provided such transferee agrees to be bound by all the terms, conditions and provisions of the US LLC Agreement.
- No person may be admitted by the Managing Member as an additional Member of the US LLC without the consent of a Non-Managing Member Majority except, in the case of new issuances of US LLC Units, in connection with the contribution of assets to the US LLC.

### **Dissolution**

The US LLC will dissolve only upon the first to occur of any of the following:

- Holdings elects to cause a liquidation upon an RE Trigger Event, as described in Section 4.9 of this PDS;
- termination of the legal existence of the last existing member of the US LLC;
- an event of withdrawal of the Managing Member, other than an event of bankruptcy unless within 90 days after such event of withdrawal not less than a majority in interest of the remaining Members agrees to continue the business of the US LLC and to the appointment, effective as of the date of withdrawal, of a successor Managing Member;
- an election to dissolve the US LLC made by the Managing Member with the consent of the majority of Non-Managing Members;
- entry of a decree of judicial dissolution of the US LLC pursuant to the provisions of the Act;
- the sale of all or substantially all of the assets and properties of the US LLC; or
- a final and non-appealable judgment is entered by a court of competent jurisdiction ruling that the Managing Member is bankrupt or insolvent, or a final and non-appealable order for relief is entered by a court with appropriate jurisdiction against the Managing Member.

The proceeds from such a dissolution shall be applied and distributed in the following order:

- first, in satisfaction of all of the US LLC's debts and liabilities to creditors, including Members in their capacity as creditors;
- second, in payment of the liquidation preference of the Preferred Units;
- third, to the Managing Member and Non-Managing Members pro rata in accordance with their positive Capital Account balances, after giving effect to all contributions, distributions, and allocations for all periods; and
- the balance, if any, to Members pro rata in accordance with their ownership of US LLC Units.

### **Amendment**

Amendments may only be proposed by the Managing Member or by any Non-Managing Member holding 10% or more of the US LLC Units.

Each amendment will require the approval of the Managing Member and a majority of interests of Non-Managing Members.

However, the Managing Member will have the power, without the consent or approval of the Non-Managing Members, to amend the US LLC Agreement to implement any of the following purposes:

- to reflect the admission, substitution, termination, or withdrawal of Members in accordance with the Agreement;
- to reflect a change that is of an inconsequential nature and does not adversely affect the Non-Managing Members in any material respect; or
- to reflect the termination of use of the Reckson Marks as described in "Reckson Marks" below.

### **Indemnification**

The US LLC will indemnify each Indemnitee (including directors, officers, stockholders, partners, members, employees, and representatives or agents of the Managing Member or the US LLC) from and against any and all out-of-pocket losses, claims, damages and expenses (including attorneys fees and other legal fees and expenses), that relate to the operations of the US LLC as set forth in the Agreement, in which such Indemnitee may be involved, or is threatened to be involved, as a party or otherwise, except to the extent that such Indemnitee acted in bad faith, or with gross negligence or wilful misconduct.

### **Liability of Managing Member**

The Managing Member and its affiliates (including, for this purpose, Holdings, if RAML is the Responsible Entity) will not be liable for monetary damages to the US LLC, any Members or their assignees for losses sustained or liabilities incurred as a result of errors in judgement or of any act or omission if the Managing Member's conduct did not constitute an intentional misappropriation of US LLC funds, or fraud, gross negligence, intentional misconduct and a breach of fiduciary duty in the discharge of its duties under the Agreement.

### **Removal of Managing Member**

The Managing Member cannot be removed by the Non-Managing Member except by a vote of a Non-Managing Member Majority under the following circumstances:

- the Managing Member materially defaults in the performance or observance of any of its express material obligations;
- the Managing Member intentionally misappropriates US LLC funds or commits fraud, gross negligence, or material intentional misconduct in the discharge of duties; or
- the Managing Member files a petition in bankruptcy, or a petition in bankruptcy is filed against the Managing Member, and such petition is not dismissed within a specified period of time, or a trustee, receiver or other custodian is appointed for a substantial part of Managing Member's assets and is not vacated within a specified period of time, or the Managing Member makes an assignment for the benefit of its creditors.

Upon its removal as Managing Member, the US REIT will remain as a Member with all the rights of a Non-Managing Member under the US LLC Agreement. Prior to the removal of the Managing Member, the Non-Managing Member Majority will appoint a successor Managing Member.

### **No fiduciary duty; corporate opportunities; outside activities of Non-Managing Member**

The US LLC Agreement contains the following provisions regarding Non-Managing Members:

No Non-Managing Member (including Holdings) or affiliate thereof has any fiduciary duty or will be liable for a breach of fiduciary duty to the US LLC or its Affiliates. Each Non-Managing Member has no duty to give any consideration to the interests of the US LLC or to abstain from participating in any vote or other action of the US LLC, including in exercising its voting and approval rights under the US LLC Agreement.

A Non-Managing Member has no duty to communicate or offer any corporate opportunity to the US LLC or its affiliates.

The US LLC and each Member acknowledges that each Non-Managing Member is permitted to and may currently engage in, acquire, or enter into any agreement with respect to any activity or business of any nature including the acquisition, ownership, financing, leasing, operating, construction, rehabilitation, renovation, improvement, management and development of real property whether or not such real property is in competition with the US LLC or otherwise is of a type that would be within the business objectives of the US LLC. A Non-Managing Member has no duty to refrain from engaging in any such ventures.

A Non-Managing Member and any of its affiliates will have no obligation to present, or grant rights of first offer, refusal or other similar rights with respect to, any such activity to the US LLC and the US LLC will not have any rights to any income or profits relating to these outside activities.

### **Right to compel liquidation of the US LLC**

In the event an affiliate of Reckson is replaced as the Responsible Entity of the LPT, Holdings may, at its option, cause the liquidation of the US LLC.

### **Right of first refusal**

In connection with the sale of any asset or the exercise of Holdings' right to liquidate the US LLC, a third party broker will establish and manage the process for disposing of properties to the US LLC. If such broker receives a bona fide offer from a third party to purchase all or any portion of the US LLC's assets or any interest therein, the broker will deliver to Holdings a copy of such offer (and if there is more than one offer for a specific asset, the broker will indicate the offer that it recommends be accepted). Holdings has the right, within 30 business days thereafter, to elect to purchase such asset on the same material terms as those set forth in such offer.

If Holdings does not exercise its right of first refusal within 30 business days, the US LLC will be permitted to sell the property to the offeror upon terms and conditions set forth in the offer for the succeeding six month period. If a sale is not consummated within the six month period, the Managing Member will again grant Holdings a right of first refusal with respect to the asset.

### **Tax matters**

The Managing Member will be the tax matters partner of the US LLC and is responsible for filing of certain tax returns and certain tax controversies that may arise with respect to the US LLC. The Managing Member has the authority to determine whether or not to make certain tax elections, including (without limitation) elections under sections 704(c) or 754 of the US Internal Revenue Code; provided, however, that the Managing Member (1) does not have authority to make elections that would

jeopardise the US REIT's or Reckson's REIT status, and (2) shall use such method as Reckson elects with respect to the Properties contributed by Reckson.

The Managing Member shall, on behalf of the US LLC, withhold from, or pay on behalf of or with respect to a Member any amount of federal, state, local, or foreign taxes that the Managing Member determines that the US LLC is required to withhold or pay with respect to any amount distributable or allocable to such Member pursuant to this Agreement.

The US LLC will be operated in a manner that, in the sole judgement of the Managing Member, will not adversely affect the qualification of the US REIT or Reckson as a REIT under sections 856 to 860 the US Internal Revenue Code. The Managing Member has the authority to take such actions or refrain from taking such actions either individually or on behalf of the US LLC as it determines in its reasonable discretion to be in furtherance of the preceding sentence; provided, however, that the Managing Member may not, without the prior written consent of Reckson, engage in any transaction that could jeopardise Reckson's REIT status or subject Reckson to tax on a "prohibited transaction".

#### **Reckson Marks**

In the event of a RE Trigger Event Holdings has the right to terminate the use of the Reckson Marks by the US LLC, the LPT, and the US REIT and their Affiliates and Subsidiaries.

#### **9.1.11 SUMMARY OF THE ASSET MANAGEMENT AGREEMENT**

Under this agreement (the "Asset Management Agreement") between the US REIT and Reckson's affiliate Reckson Australia Asset Manager LLC, Reckson is responsible for providing portfolio asset management and other portfolio-related services to the US REIT.

#### **Reckson's duties**

Under the Asset Management Agreement Reckson's duties include:

- performing and/or supervising the performance of, the necessary administrative functions in the day-to-day management of the US REIT and its operations, including internal and external financial reporting, property accounting, shareholder relations, supervision of stock registrar and transfer services, and other necessary services;
- reviewing and assisting in the identification, recommendation and preparation of investment memorandum for potential acquisitions and dispositions;
- reviewing and monitoring the supply and demand fundamentals of office and commercial real estate markets in locations where the US REIT holds assets;
- overseeing the development of debt financing strategies for the assets and supervising the procurement of such debt financing for the US REIT and the US LLC;
- monitoring and recommending changes to investment policy;
- supervising portfolio management, including the development and implementation of portfolio strategic plans and budgets;
- reviewing and assisting in the creation and implementation of annual asset plans, including operating and capital budgets, leasing and operating plans for the Properties;
- monitoring on a regular and continuing basis the local real estate markets in locations where the US REIT holds the Properties and providing to the US REIT an analysis and assessment of such real estate markets;
- implementing and overseeing investment and divestment decisions and plans with respect to the Properties, as approved and directed by the US REIT;
- overseeing sub-contracted services, as appropriate;
- assisting the US REIT in developing plans for and recommending extraordinary capital expenditures with respect to its assets;
- managing and implementing of US REIT-level accounting and reporting;
- providing treasury and tax management services;
- preparation of financial statements;
- identifying appropriate types of properties for acquisition by the US REIT or the US LLC and establishing appropriate parameters for the acquisition of such properties;
- sourcing and negotiating debt financing in connection with the US REIT's formation and the initial acquisition of its assets;
- assisting and advising the US REIT in formulating and implementing its investment and organisational structure;
- providing, or causing its affiliates to provide, credit enhancement with respect to certain obligations of the US REIT in connection with the initial formation;

- retaining services of accountants, legal counsel, appraisers, insurers, brokers, transfer agents, registrars, developers, banks and other lenders and others as it deems necessary or advisable in connection with the management and operations of the US REIT;
- if requested by the US REIT, establishing bank accounts for the US REIT, depositing into and disbursing from such accounts any monies on behalf of the US REIT and rendering appropriate accountings of these transactions to the US REIT;
- maintaining true and accurate books for the US REIT;
- causing financial statements of the US REIT to be audited and certified by the US REIT's accountant at the end of the US REIT's fiscal year;
- causing to be prepared and delivered to the US REIT audited year-end financial statements, unaudited six month and fiscal quarter financial statements, and monthly operating statements; and
- performing any additional services as may be requested by the US REIT to which it agrees to perform.

### Expenses

The US REIT will reimburse Reckson for:

- all out-of-pocket expenses incurred in connection with the performance of its obligations, including third party costs such as legal, accounting, tax, and other such expenses (including reimbursement for its internal legal and accounting personnel who provide services to the US REIT);
- all other third-party costs and expenses relating to the US REIT's operations, including costs and expenses of undertaking activities and procedures to maintain the US REIT status, owning, financing, protecting, maintaining and disposing of the US REIT's investments, including appraisal, reporting, audit and legal fees, and investigation and due diligence expenses;
- all insurance costs incurred in connection with the operation of the US REIT or its assets;
- expenses connected with payments of interest or distributions made by the US REIT to or on account of holders of securities of the US REIT;
- expenses connected with communications to holders of securities of the US REIT and related expenses;
- transfer agent and registrar's fees and charges; and
- expenses relating to any office or office facilities maintained for the US REIT.

### Compensation

Reckson will be entitled to receive the following compensation:

- An asset management fee equal to 0.45% per annum of the US REIT's proportionate share of the gross value of the assets. The asset management fee is calculated every half year, and is based on the gross value of the assets at the beginning of the relevant half year, as adjusted on a current basis for acquisitions and dispositions. The asset management fee is payable quarterly in arrears within five days of the end of each fiscal quarter. A portion of this fee shall be allocated to the Responsible Entity for services rendered by the Responsible Entity.
- A transaction structuring fee equal to 1.0% of the US REIT's proportionate share of the "initial enterprise value" (including all debt and equity attributable to the US REIT and its assets and assuming the closing of all three Tranches). The transaction structuring fee will be earned upon the US REIT's initial acquisition of its interest in the US LLC; however, payments will be made on a proportionate basis on the date of closing of each applicable Tranche.

The transaction structuring fee will also be payable with respect to the Option Properties and will be payable upon the direct or indirect acquisition by the US LLC of the Option Properties (even if this Agreement is terminated prior to such acquisition). This fee will be equal to 1% of the US REIT's proportionate share of the enterprise value attributable to each Option Property.

However, if any property or properties initially scheduled to have closed in the Tranches becomes an Option Property, Reckson is not entitled to an additional 1% transaction structuring fee as a result of the exercise of such option for such property or properties.

- A capital structuring fee equal to 0.5% of the US REIT's proportionate share of the principal amount of any borrowing (including the maximum amount available under such borrowing whether or not drawn by (i) the US REIT, (ii) the US LLC or (iii) any entity which directly or indirectly holds an asset in which the US REIT has a direct or indirect interest) in connection with the initial formation of the US REIT and its initial investment in the US LLC, including the three Tranches and the Option Properties. The capital structuring fee with respect to the Tranches will be payable upon the US REIT's initial acquisition of its interest in the US LLC and with respect to the Option Properties will be payable upon the direct or indirect acquisition by the US LLC of the Option Properties.
- A credit enhancement fee is payable in connection with the providing of credit support for certain obligations of the US REIT and the US LLC in the amount of US\$150,000 and will be payable upon the US REIT's initial acquisition of its interest in the US LLC.

## **Term**

The initial term of the Asset Management Agreement is three years and is renewable automatically for three successive three year terms, unless either party elects not to renew on not less than 90 days' notice prior to the applicable expiration date.

The US REIT has the right to terminate the Asset Management Agreement under the following circumstances:

- if Reckson materially defaults in the performance or observance of any of its express material obligations hereunder and such material default continues beyond the applicable cure period after written notice from Reckson;
- if any one or more senior officers of Reckson engages in a fraudulent act for the personal benefit of such officer which causes material economic harm to the US REIT and such loss is not covered by insurance or not rectified by Reckson;
- Reckson files a petition in bankruptcy, or a petition in bankruptcy is filed against Reckson, or Reckson makes an assignment for the benefit of its creditors;
- upon 30 days' notice to Reckson, if Reckson is no longer the Responsible Entity of the Trust; or
- upon the sale of the US REIT's last remaining Property.

Reckson has the right to terminate the Asset Management Agreement under the following circumstances:

- if the US REIT materially defaults in the performance or observance of any of its express material obligations hereunder and such material default continues beyond the applicable cure period after written notice from Reckson;
- upon 30 days' notice to the US REIT, if Reckson is no longer the Responsible Entity of the Trust;
- upon 10 days' prior written notice to the US REIT in the event Reckson determines in its sole and absolute discretion that such termination is advisable to maintain the "real estate investment trust" status of Reckson; or
- upon the sale of the US REIT's last remaining Property.

## **Liability and indemnification**

The Asset Management Agreement provides for customary mutual indemnification obligations with carve-outs for gross negligence, fraud or wilful misconduct. Each party's liability is limited to the amount of actual direct damages suffered by the other party, however, Reckson's liability is limited to an aggregate amount equal to the lesser of (i) the aggregate amount of fees actually received by Reckson pursuant to the Asset Management Agreement and (ii) the amount of actual direct damages suffered by the US REIT, and neither party shall be entitled to any consequential, punitive or special damages.

## **Other activities; no fiduciary duty**

Reckson, and its respective directors, officers, employees and agents, will be permitted to, and will, engage in, acquire, hold or otherwise have any interest in, or enter into any agreement with respect to, any activity or business of any nature or description including the acquisition, ownership, financing, leasing, operating, construction, rehabilitation, renovation, improvement, management and development of real property and will owe no duty to refrain from engaging in the foregoing (collectively, "Independent Ventures").

Reckson will not have any obligation to present, or grant rights of first offer, refusal or other similar rights with respect to any Independent Venture to the US REIT or to communicate potential transactions or other corporate opportunities.

Reckson will not owe any fiduciary duty to, nor will it be liable for breach of fiduciary duty to, the US REIT or any of its affiliates by reason of the Asset Management Agreement or any other arrangement or relationship among the parties.

### **9.1.12 SUMMARY OF THE OPTION AGREEMENT**

Under this agreement (the "Option Agreement") between US LLC Reckson's affiliate Reckson Operating Partnership, L.P., and certain subsidiaries of Reckson, Reckson will grant an option (the "Option") to the US LLC to purchase any or all of the Option Properties, except that as to (i) 100 Campus Drive, 104 Campus Drive and 115 Campus Drive, the Option shall be for the managing member's approximately 97% controlling interest in RM Square, LLC, the owner of said three (3) properties, which is subject to a carried interest to the minority partner after certain returns have been achieved, (ii) 225 Broadhollow Road, the Option shall be contingent upon Reckson exercising its option to purchase 225 Broadhollow Road and is subject to the US LLC assuming the tax protection obligations of Reckson with respect to such property, and (iii) 520 White Plains Road, the Option shall be subject to the US LLC assuming the tax protection obligations of Reckson with respect to such property. If any Property scheduled to close during Tranche 1, Tranche 2 or Tranche 3 is not conveyed pursuant to the Contribution Agreement and/or Sale Agreement and is not replaced by a substitute property, then in certain events, such Property shall become an Option Property. If the US LLC exercises an Option on an Option Property, that upon sale would cause Reckson to violate any of its covenants relating to its existing secured or unsecured indebtedness including those covenants imposed by nationally recognised rating agencies in connection with Reckson's investment grade rating, such Option will not be effective, but said Option Property shall remain an Option Property and the US LLC may exercise a future Option for such Option Property during the remainder of the Option Period provided such covenants are not then violated.

**Option Period**

The Option must be exercised between 1 January 2006 and 1 January 2008 (the "Option Period"); provided that the US LLC may exercise only one Option each calendar quarter, except during the last two calendar quarters of the Option Period in which the US LLC may exercise any number of Options.

**Exercise of Option**

The US LLC must exercise an Option by delivering written notice to Reckson. Closing of the purchase of any Option Property (the "Option Closing") shall occur within 30 days of the notice of the exercise of the Option, unless otherwise agreed. At the Option Closing, pursuant to a contract on market terms, Reckson shall transfer the Option Property or transfer the interest in the applicable owner of the Option Property, with customary representations and warranties.

**Purchase price**

The purchase price of any Option Property will be the greater of (i) the appraised value of such property (which shall be performed by an appraiser mutually acceptable to the US LLC and Reckson) or (ii) a written all cash offer, acceptable to Reckson, to purchase the Option Property, dated within 120 days of the exercise of the Option, provided, that the purchase price will not be less than the amount of aggregate debt secured solely by the specific Option Property subject to the Option. Additionally, Reckson shall have the right to postpone for six (6) months the date of valuation and the date of Option Closing, in which event the US LLC shall have the right to rescind the Option Notice originally delivered in connection therewith and shall thereafter have the right to exercise another Option during such calendar quarter. In the event Reckson enters into any leases during the Option Period, any (i) brokerage commissions, (ii) tenant improvement allowances, (iii) abated rent, and (iv) other tenant inducement costs of whatever nature will be apportioned between Reckson and the US LLC in accordance with the amount of lease term occurring pre-Option and post-Option Closing. The US LLC will pay all transfer taxes in connection with the exercise of an Option.

**Right of first refusal**

During the Option Period, if Reckson receives a written all cash offer for the purchase of any Option Property and Reckson is willing to accept and close on such offer, the US LLC shall have a right of first refusal to purchase such Option Property at the same purchase price and on other terms, with a closing to occur within thirty (30) days. If the US LLC elects not to purchase such property, Reckson may sell the property to any third party on terms no less beneficial within 120 days from the date on which the US LLC elects not to exercise such right.

**Maintenance of properties**

Reckson shall have the right to make certain capital improvements or capital repairs without the approval of the US LLC. At the closing of the purchase of any Option Property, the US LLC shall reimburse Reckson for any such work for the remaining period of the projected useful life of such work.

**Debt**

Reckson has no obligation to pay off or deliver any property free of liens or encumbrances to the extent they are not "due on sale". Any monetary liens or encumbrances shall be a credit against the purchase price of the property. As a condition to Reckson's obligation to close, Reckson shall be released from any existing debt encumbering such property on or prior to the Option Closing. The US LLC shall receive a credit for any lender assumption and/or legal fees related to the sale of any Option Property.

**Failure to perform**

If the US LLC defaults under the Option Agreement prior to any Option Closing, and such default remains uncured for 10 days after notice is given, Reckson will have the right to commence an action for specific performance under the Option Agreement or terminate the Option Agreement and seek liquidated damages of 5% of the applicable purchase price for such Option Property. If Reckson defaults under the Option Agreement prior to any Option Closing, and such default remains uncured for 10 days after notice is given, the US LLC will have the right to either commence an action for specific performance under the Option Agreement or terminate the Option Agreement.

**Condemnation and casualty**

Reckson must notify the US LLC of a permanent full or partial taking of any Option Property by eminent domain, but Reckson is not obligated to provide an alternate Option Property and has no further obligations to the US LLC as a result thereof. If the US LLC elects to proceed with an Option Closing of an Option Property subject to a permanent partial condemnation, the US LLC shall accept title to such Option property in its existing condition at the appraised fair market value following such partial permanent taking by eminent domain and Reckson shall not be required to assign or turn over to the US LLC any amounts awarded or to be awarded as a result of the taking of such Option Property.

If an Option Property is damaged or destroyed by fire or other casualty, Reckson is not obligated to provide an alternate Option Property or repair or rebuild such Option Property. However, if Reckson intends to and does repair and rebuild such Option Property, any costs therefore not covered by insurance (including deductibles funded by Reckson) are to be paid to Reckson at the Option Closing as additional consideration.

## **Termination**

The Option Agreement and the US LLC's rights thereunder will terminate if (a) the US LLC sends notice of its intent to exercise its Option but fails to close as obligated, (b) the US LLC is in default, beyond any applicable notice and cure period, of the Option Agreement, the Contribution Agreement or the Sale Agreement, (c) the Contribution Agreement and/or the Sale Agreement are not executed by all parties thereto, and/or (d) Reckson is no longer the Responsible Entity of the Trust.

## **Other activities; no fiduciary duty**

Reckson, and its respective directors, officers, employees and agents, will be permitted to, and will, engage in, acquire, hold or otherwise have any interest in, or enter into any agreement with respect to, any activity or business of any nature or description including the acquisition, ownership, financing, leasing, operating, construction, rehabilitation, renovation, improvement, management and development of real property and will owe no duty to refrain from engaging in the foregoing (collectively, "Independent Ventures").

Reckson will not have any obligation to present, or grant rights of first offer, refusal or other similar rights with respect to any Independent Venture to the US LLC or to communicate potential transactions or other corporate opportunities.

Reckson will not owe any fiduciary duty to, nor will any such person be liable for breach of fiduciary duty to, the US LLC or any of its affiliates by reason of the Option Agreement or any other arrangement or relationship among the parties.

## **9.1.13 SUMMARY OF THE CONSTRUCTION SERVICES AGREEMENT**

An exclusive construction services agreement (the "Construction Services Agreement") is to be entered into for each Property by each Property owning entity ("Owner") with Reckson's affiliate Reckson Construction & Development LLC or another Reckson affiliate. The US LLC guarantees the payment obligations of Owner under the Construction Services Agreement. If Owner acquires any other property other than through any of the Contribution Agreement, Sales Agreement or Option Agreement, Reckson shall have the right at its sole discretion to enter into a similar construction services agreement relating to such acquired property.

## **Reckson's duties**

Reckson will be responsible for providing construction management, supervisory and other construction related services to Owner and will monitor, review, coordinate and oversee the construction of tenant improvements required by any leases for space at the Property and all other ongoing and future development, construction, restoration, expansion, alteration and capital improvement projects at the Property. Reckson shall provide the following services:

- provide development and construction management services for the Property as requested by Owner or any tenant;
- coordinate with tenant representatives to assess tenant improvement needs and propose appropriate design and construction solutions;
- provide feasibility studies and preliminary cost estimates to asset management, property management and leasing teams;
- select, hire and manage general contractors and sub-contractors;
- review contractor budgets/schedules, engineering/testing reports and shop drawings to manage costs and maintain quality;
- process payment requests, tracking costs and coordinating with accounting staff and project funding sources;
- review and approve all tenant constructed improvements;
- keep Owner informed as to the nature and progress of any tenant construction, and act as an intermediary, if requested by Owner, and respond to any tenant enquiries relating to any such work, inform the tenant of its responsibilities under the applicable lease documents, and communicate with Owner in respect of tenant compliance therewith;
- keep the Property free from liens, charges and encumbrances arising out of the construction work being performed by Reckson except for any mortgage (or other financing of which Owner approves) and any other lien, charge and encumbrance approved by Owner;
- take all action reasonably required to cause Owner to comply with all obligations under all contracts, leases, notes, mortgages and other documents and instruments relating to the construction related work at the Property;
- in cooperation with Owner's property manager or agents, assist in the preparation of annual budgets, asset plans and reporting requirements for the Property with respect to the construction related work at the Property;
- upon the request of Owner, reasonably cooperate with Owner's property manager or agents in the overall management, development and ownership of the Property;
- prepare an insurance program for any construction work and coordinate with Owner a system for monitoring and enforcing such insurance programs with all necessary third parties, general contractors, sub-contractors and agents in connection with all ongoing construction related work at the Property; and
- at Reckson's election, perform the construction related work at the Property on market terms and conditions.

### **Expenses**

Owner will reimburse Reckson for all out-of-pocket expenses incurred in connection with its obligations under the Construction Services Agreement.

### **Compensation**

Reckson will be entitled to receive when billed:

- with respect to any construction related work performed by Reckson, 10% of the cost the improvements (including costs for labour and materials), exclusive of the financing costs of such improvements; and
- with respect to any construction related worked supervised by Reckson, 3.5% of the cost of the improvements (including costs for labour and material), exclusive of the financing costs of such improvements.

### **Liability and indemnification**

The Construction Services Agreement provides for customary mutual indemnification obligations with carve-outs for fraud, gross negligence or wilful misconduct. Each party's liability is limited to the amount of actual direct damages suffered by the other party and neither party shall be entitled to any consequential, punitive or special damages.

### **Term and termination**

The Construction Services Agreement will continue in force for three years and will be renewed automatically for three successive three year terms, unless either party elects not to renew on not less than 90 days' notice prior to the applicable expiration date.

Owner has the right to terminate the Construction Services Agreement under the following circumstances:

- if Reckson materially defaults in the performance or observance of any of its express material obligations beyond any applicable notice and cure periods;
- if any one or more senior officers of Reckson engages in a fraudulent act for the personal benefit of such officer which causes material economic harm to Owner and such loss is not covered by insurance or not rectified by Reckson;
- Reckson files a petition in bankruptcy, or a petition in bankruptcy is filed against Reckson, or Reckson makes an assignment for the benefit of its creditors;
- upon 30 days' notice to Reckson, if Reckson is no longer the Responsible Entity of the Trust; or
- upon the sale of the Property.

Reckson has the right to terminate the Construction Services Agreement under the following circumstances:

- if Owner materially defaults in the performance or observance of any of its express material obligations beyond any applicable notice and cure periods;
- upon 30 days' notice to Owner, if Reckson is no longer the Responsible Entity of the Trust;
- upon 30 days' notice to Owner, (i) if Reckson is no longer the property manager of the Property or (ii) if Reckson is no longer the services manager pursuant to the Services Agreement with the US LLC;
- upon 10 days' prior written notice to Owner in the event Reckson determines in its sole and absolute discretion that such termination is advisable to maintain the "real estate investment trust" status of Reckson; or
- upon the sale of the Property.

### **Other activities; no fiduciary duty**

Reckson, and its respective directors, officers, employees and agents, will be permitted to, and will, engage in, acquire, hold or otherwise have any interest in, or enter into any agreement with respect to, any activity or business of any nature or description including the acquisition, ownership, financing, leasing, operating, construction, rehabilitation, renovation, improvement, management and development of real property and will owe no duty to refrain from engaging in the foregoing (collectively, "Independent Ventures").

Reckson will not have any obligation to present, or grant rights of first offer, refusal or other similar rights with respect to any Independent Venture to Owner or to communicate potential transactions or other corporate opportunities.

Reckson will not owe any fiduciary duty to, nor will any such person be liable for breach of fiduciary duty to, Owner or any of its affiliates by reason of the Construction Services Agreement or any other arrangement or relationship among the parties.

#### 9.1.14 SUMMARY OF THE SALE AGREEMENT

This agreement (the "Sale Agreement") between Reckson's affiliate, Reckson Operating Partnership, L.P., certain subsidiaries of Reckson, the US REIT and the US LLC contains terms and conditions applicable to the sale of Reckson's ownership or leasehold interests in 300 Motor Parkway, 88 Duryea Road, 505 White Plains Road, 55 Charles Lindbergh Boulevard, 200 Broadhollow Road, 10 Rooney Circle, 560 White Plains Road, and 555 White Plains Road and/or ownership interests in the owners of such Properties. The sale does not include certain personal property in the nature of sculptures and artwork which will be subject to licence agreements permitting the US LLC to display, use and enjoy such excluded personal property.

#### **Sale of the Properties; consideration**

The sale of the Properties is anticipated to occur on 30 September 2005, subject to adjournment in accordance with the terms of the Sale Agreement. The aggregate consideration for the Properties subject to the Sale Agreement is approximately US\$105,696,933 and consists of cash or assumption of debt, or a combination of both.

#### **Sale of interests in entities in lieu of asset transfer**

If Reckson reasonably determines, prior to the Closing, that transfers of all of Reckson's interests in and to any Property owning entity to the US LLC in lieu of an asset sale of such Properties would result in a material savings in costs, expenses or other liabilities to be incurred by Reckson, then Reckson may notify the US LLC of Reckson's desire to effectuate such entity transfer and the US LLC shall reasonably approve or disapprove such entity transfer.

In connection with such entity transfer, Reckson shall provide such additional representations, warranties, indemnifications, and documentation as may be reasonably requested by the US LLC and customarily required in similar transactions.

#### **1031 Exchange of certain Properties**

The Sale Agreement permits Reckson to assign its interest in the Sale Agreement with respect to any of the Properties specified by Reckson to a qualified intermediary to facilitate an exchange by Reckson of such Properties for properties of like kind acquired by Reckson in a transaction or transactions which are intended to qualify as a tax deferred like kind of exchange pursuant to the US Internal Revenue Code. If such an assignment occurs, such assigned Property will remain subject to the provisions of the Sale Agreement, however, such assigned Property will instead be sold to the US LLC by such qualified intermediary in accordance with the process set forth in the Sale Agreement.

#### **Representations, warranties and indemnities**

The parties to the Sale Agreement will make certain customary representations and warranties subject to appropriate materiality standards and knowledge qualifiers. The Sale Agreement provides that certain Property related representations and warranties survive the closing for a period of 12 months.

Reckson will indemnify the US LLC with respect to breaches of Reckson's representations and warranties, however, no claim is actionable unless claims for all such breaches and inaccuracies collectively aggregate more than US\$500,000 with respect to all Properties subject to the Sale Agreement, in which event the amount of all claims in excess of such US\$500,000 shall be actionable (subject to a cap of US\$10,000,000 (the "Sale Cap")), subject to certain carve-outs in regarding substitute estoppels delivered by Reckson and any other indemnified matters identified in the Sale Agreement. No claim for a breach or inaccuracy shall be actionable or payable if the breach or inaccuracy in question results from a condition, state of facts or other matter expressly disclosed in any third party report or in any schedule attached to the Sale Agreement.

The US LLC and the US REIT will indemnify Reckson with respect to breaches of the US LLC's and the US REIT's representations and warranties.

The Sale Agreement requires each party first to seek recovery from other available sources prior to seeking recovery from the other.

#### **As-is sale**

With the exception of the representations and warranties and the substitution rights described above, the Sale Agreement generally provides that the US LLC accept the Properties on an "as is, where is" basis with all faults, from the date of the Sale Agreement.

#### **Failure of Reckson or the US LLC to perform**

If the US LLC shall materially default in the performance of its obligations under the Sale Agreement after applicable notice and cure periods, then Reckson, may either in its sole and absolute discretion, (i) seek specific performance of such obligations or (ii) terminate the Sale Agreement and recover from the US LLC and/or the US REIT Reckson's actual out-of-pocket costs incurred in connection with the Sale Agreement.

If, prior to the Closing, Reckson shall materially default in the performance of any of its obligations under the Sale Agreement after applicable notice and cure periods, then the US LLC may either in its sole and absolute discretion, (i) seek specific performance of such obligations or (ii) terminate the Sale Agreement and recover from Reckson US LLC's actual, out-of-pocket costs incurred in connection with the Sale Agreement.

### **Condemnation and casualty**

If, at any time, an amount of the Properties greater than or equal to (as reasonably determined by Reckson) twenty-five percent (25%) or more of the total consideration (the "Sale Termination Right Threshold") of the Properties to be sold to the US LLC pursuant to the Sale Agreement are taken by eminent domain or destroyed by fire or other casualty in the aggregate and not replaced by a "substitute property", the US LLC shall have the right to terminate the Sale Agreement.

### **Conditions precedent to Reckson's obligations**

Reckson's obligations to effectuate the Closing with respect to the applicable Properties on the Closing Date are subject to the satisfaction of the following conditions precedent on or before the Closing (unless waived by Reckson):

- Delivery of closing documents and any required payments shall have occurred.
- Representations and warranties shall be true and correct in all material respects as of the date of the Sale Agreement and as of the Closing Date.
- The US LLC and the REIT shall have performed all covenants and other obligations in all material respects.
- Fulfilment of conditions and requirements for the listing of the Trust on ASX and quotation of its securities shall have occurred.
- Relevant Underwriting Agreement transactions shall have been closed.

### **Conditions precedent to the US LLC's obligations**

The US LLC's obligations to effectuate the Closing with respect to the applicable Properties on the Closing Date are subject to the satisfaction of the following conditions precedent on or before the Closing (unless waived by the US LLC):

- Delivery of closing documents (including estoppels for leases aggregating 70% of leased rentable square footage).
- Representations and warranties shall be true and correct in all material respects as of the date of the Sale Agreement and as of the Closing Date.
- Reckson shall have performed all covenants and other obligations in all material respects.
- All required consents shall have been obtained.
- All obligations of Reckson due under certain brokerage agreements shall have been paid or credited with respect to the applicable Closing.
- The title company shall be prepared to issue the title policies in accordance with the Sale Agreement.
- All existing management property contracts with respect to the Properties shall have been terminated at Reckson's sole cost.
- Fulfilment of conditions and requirements for the listing of the Trust on ASX and quotation of its securities shall have occurred.
- Relevant Underwriting Agreement transactions shall have closed.

### **Failure to satisfy Closing conditions**

If Reckson shall fail to satisfy any of Reckson's closing conditions ("Sale Closing Condition Failures") applicable to the Closing, then without limiting any other right or remedy to which the US LLC may be entitled, the US LLC shall be entitled to (i) terminate the Sale Agreement in its entirety (provided that the US LLC shall not have the right to terminate the Sale Agreement until the US LLC shall have terminated the Sale Agreement with respect to one or more Properties aggregating in value greater than or equal to the Sale Termination Right Threshold pursuant to the Sale Agreement, or (ii) terminate the Sale Agreement with respect to the affected Property only (in which event the consideration shall be reduced by the portion thereof allocated to such Property, and the Sale Cap shall be proportionately reduced).

### **Substitution and termination rights for title, survey, casualty and condemnation; Option Properties**

The Sale Agreement permits Reckson to substitute any Property affected by a title or survey defect or a casualty or condemnation (such title or survey defect, casualty or condemnation event, together with Sale Closing Condition Failures, collectively, "Sale T.S.C.C. Events").

The Sale Agreement provides, notwithstanding the US LLC's rights to terminate the Sale Agreement with respect to certain Sale T.S.C.C. Events, if one or more Properties is eliminated from the Sale Agreement by any combination of Sale T.S.C.C. Events and not replaced by a Substitute Property and on a collective basis such Sale T.S.C.C. Events aggregate in value greater than the Sale Termination Right Threshold, then Reckson shall have the right to terminate the Sale Agreement.

In the event a Property is eliminated from the Sale Agreement as a result of a Sale T.S.C.C. Event, Reckson may substitute another property for such eliminated Property provided that such substitute property is generally consistent with the characteristics of the Properties and has a value equal or greater to the value of the eliminated Property as mutually determined by Reckson and the US LLC.

Properties which are eliminated from the Sale Agreement for Sale T.S.C.C. Events and not replaced by a "substitute property" shall become an Option Property.

### **Apportionments; credits; closing costs**

- The consideration with respect to the applicable Properties is subject to certain apportionments as may be customary in real estate closings of commercial properties in the New York Tri-State area.
- The US LLC shall pay all mortgage recording taxes.
- The US REIT shall pay all costs for title insurance, survey, third party reports, prepayment premiums and penalties on any loan encumbering any of the Properties required to be paid prior to any Closing, costs charged in connection with permitted debt financing or assumption of certain financing, loan assumption fees and transfer taxes.

### **9.1.15 SUMMARY OF TAX PROTECTION AGREEMENT**

This Agreement (the "Tax Protection Agreement") is among Reckson's affiliate Reckson Operating Partnership, L.P., the US LLC and the US REIT and requires the US REIT to indemnify Reckson if certain Properties are sold or otherwise disposed of (including a disposition described under section 8.6 of the US LLC Agreement and a disposition to Reckson pursuant to a right of first refusal offer under section 8.7 of the US LLC Agreement) within seven years of the applicable Closing. The US REIT's indemnity obligation is equal to (i) the aggregate US federal, state and local income taxes that would have been imposed on Reckson on the built-in gain recognised on the disposition, computed as if Reckson were a taxable corporation based in New York City plus (ii) a "gross-up" amount intended to keep Reckson whole on or after-tax basis. This indemnity shall not apply to (i) transactions that do not result in the recognition of built-in gain, (ii) a change of control of the US REIT, or (iii) a condemnation or taking of the Property by governmental authority if commercially reasonable attempts are made to reinvest the proceeds.

In addition, the Tax Protection Agreement provides Reckson with the right to determine how the US LLC allocates for tax purposes certain tax depreciation deductions and liabilities with respect to certain Properties.

Finally, the Tax Protection Agreement provides that, upon reasonable request, Reckson will provide the US REIT, and the US LLC will provide to Reckson, any information necessary in order to verify information required to calculate payments under the Tax Protection Agreement. Any information is to be kept confidential. The US REIT will also provide Reckson with any information reasonably available to the US LLC with respect to allocation of liabilities under section 752 of the US Internal Revenue Code.

### **9.2 ASX MATTERS**

ASX waivers and confirmations have been granted by ASX on an in-principle basis and subject to certain conditions as follows:

- confirm that the joint venture arrangements which provide pre-emptive rights to Reckson to cause the liquidation of the US LLC and a right of first refusal in connection with the sale of any asset of US LLC (the "Pre-emptive Rights Agreement"), are appropriate for the purpose of Listing Rule 1.1 condition 1;
- only require the Trust to lodge financial accounts that it actually has under Listing Rule 1.3.5(a);
- grant the Trust a waiver from Listing Rule 4.7B(a) to the extent necessary to not require the Trust to provide quarterly cash flow reports;
- grant the Trust a waiver from Listing Rule 4.10.19;
- accept for the purposes of Listing Rule 2.1 condition 1 that the Trust's partly paid Units comply with chapter 6 of the Listing Rules;
- confirm that the terms of the partly paid Units are appropriate and equitable for the purposes of Listing Rule 6.1;
- confirm that the divestment provisions relating to the partly paid Units are appropriate and equitable for the purposes of Listing Rule 6.12.3;
- grant the Trust a waiver from Clause 1 of appendix 6A to the extent necessary that the rate and amount of a distribution need not be advised to ASX by the Trust when announcing a distribution and record date, on condition that an estimated distribution rate is advised to ASX and the actual rate is advised to ASX as soon as it becomes known;
- grant the Trust waivers from Listing Rules 7.1, 10.1 and 10.11 to the extent necessary to permit the Trust to issue additional Units without Unitholder approval to satisfy the purchase of all or a portion of Reckson's interest in the US LLC under the Amended and Restated Limited Liability Company Agreement;
- grant the Trust a waiver from Listing Rule 10.1 to the extent necessary to permit the indirect acquisition by the Trust of a 75% interest in the portfolio of properties in three tranches from Reckson, the indirect acquisition by the Trust of further properties from Reckson through the exercise of the option over the Option Properties at a price no greater than the value of the property as determined by an independent valuer and the disposition by the Trust of its indirect interest in the assets of the US LLC under the Pre-emptive Rights Agreement; and
- grant the Trust a waiver from Listing Rule 11.2 to the extent necessary to permit the Trust to dispose of its main undertaking, through the exercise of the Pre-emptive Rights Agreement, without the prior approval of Unitholders in a general meeting.

### 9.3 ASIC RELIEF

RAML has sought from ASIC modification of section 601GA of the Corporations Act so that the Trust's Constitution does not have to make adequate provision for the transaction costs associated with the acquisition of an interest in the Trust or a withdrawal from the Trust where the basis on which these costs are calculated is set out in this PDS.

### 9.4 INTERESTS REQUIRING DISCLOSURE

**Citigroup Global Markets Australia Pty Limited** will receive underwriting fees of approximately \$4.0 million. In addition, Citigroup will receive an advisory fee of US\$1.5 million payable by Reckson Associates.

**UBS AG, Australia Branch** will receive underwriting fees of approximately \$4.0 million. In addition, UBS will receive an advisory fee of US\$1.5 million payable by Reckson Associates.

**Allens Arthur Robinson** is entitled to receive professional fees of \$1.1 million in connection with providing legal advice.

**Deloitte Corporate Finance Ltd** is entitled to receive professional fees of \$375,000 for the preparation of its review of the Responsible Entity's forecasts and for performing work in relation to certain due diligence enquiries.

**Deloitte Touche Tohmatsu Ltd** is entitled to receive professional fees of \$40,000 in connection with the preparation of the Australian tax opinion for inclusion in the PDS.

**Paul, Hastings, Janofsky & Walker LLP** is entitled to receive professional fees of US\$1.5 million incurred in connection with providing its legal due diligence in the US and other US legal advice.

**CB Richard Ellis** is entitled to receive professional fees of US\$151,500 incurred in connection with providing independent valuation.

These fees and all other fees in this PDS are shown exclusive of GST.

### 9.5 CONSENTS

**Citigroup Global Markets Australia Pty Limited** is the Joint Lead Manager and Underwriter of the Issue and has given and not withdrawn its consent to be named in this PDS in the form and context in which it is named. Citigroup takes no responsibility for any part of this PDS, except to the extent required by the Corporations Act. Citigroup does not make any statement in this PDS nor is there any statement based on a statement by Citigroup in this PDS.

**UBS AG, Australia Branch** is the Joint Lead Manager and Underwriter of the Issue and has given and not withdrawn its consent to be named in this PDS in the form and context in which it is named. UBS takes no responsibility for any part of this PDS, except to the extent required by the Corporations Act. UBS does not make any statement in this PDS nor is there any statement based on a statement by UBS in this PDS.

**Citigroup Wealth Advisors Pty Limited** is the co-manager of the Issue and has given and not withdrawn its consent to be named in this PDS in the form and context in which it is named. Citigroup Wealth Advisors takes no responsibility for any part of this PDS, except to the extent required by the Corporations Act. Citigroup Wealth Advisors does not make any statement in this PDS nor is there any statement based on a statement by Citigroup Wealth Advisors in this PDS.

**Bell Potter Securities Limited** is the co-manager of the Issue and has given and not withdrawn its consent to be named in this PDS in the form and context in which it is named. Bell Potter Securities takes no responsibility for any part of this PDS, except to the extent required by the Corporations Act. Bell Potter Securities does not make any statement in this PDS nor is there any statement based on a statement by Bell Potter Securities in this PDS.

**UBS Private Clients Australia Limited** is the co-manager of the Issue and has given and not withdrawn its consent to be named in this PDS in the form and context in which it is named. UBS Private Clients Australia takes no responsibility for any part of this PDS, except to the extent required by the Corporations Act. UBS Private Clients Australia does not make any statement in this PDS nor is there any statement based on a statement by UBS Private Clients Australia in this PDS.

**Allens Arthur Robinson** has acted as Australian legal adviser to the Responsible Entity and the Manager in connection with this PDS. Allens Arthur Robinson has given and not withdrawn its consent to be named in this PDS in the form and context in which it is named. Allens Arthur Robinson takes no responsibility for any part of this PDS (except to the extent required by the Corporations Act). Allens Arthur Robinson does not make any statement in this PDS nor is there any statement based on a statement by Allens Arthur Robinson in this PDS.

**Deloitte Corporate Finance Ltd** has prepared and consented to the inclusion of the Independent Review of the Responsible Entity's Forecasts in Section 8 of this PDS. Deloitte Corporate Finance Ltd has given and not withdrawn its consent to be named in this PDS in the form and context in which it is named. Deloitte Corporate Finance Ltd takes no responsibility for any part of this PDS (except to the extent required by the Corporations Act) other than its Independent Review of the Responsible Entity's Forecasts in Section 8 of this PDS. Except in respect of its Independent Review of the Responsible Entity's Forecasts, Deloitte Corporate Finance Ltd does not make any statement in this PDS nor is there any statement based on a statement by Deloitte Corporate Finance Ltd in this PDS.

**Deloitte Touche Tohmatsu Limited** is the Australian tax adviser and has given and not withdrawn its consent to be named in this PDS in the form and context in which it is named. Deloitte Touche Tohmatsu Ltd takes no responsibility for any part of this PDS (except to the extent required by the Corporations Act) other than the tax opinion in Section 8.4. Except in respect of its tax opinion in Section 8.4, Deloitte Touche Tohmatsu Ltd does not make any statement in this PDS nor is there any statement based on a statement by Deloitte Touche Tohmatsu Ltd in this PDS.

**Paul, Hastings, Janofsky & Walker LLP** has acted as US law adviser to the Responsible Entity and the Trust and has conducted US due diligence work. Paul, Hastings, Janofsky & Walker LLP has given and not withdrawn its consent to the inclusion of its tax opinion in Section 8 and to be named in this PDS in the form and context in which it is named. Paul, Hastings, Janofsky & Walker LLP takes no responsibility for any part of this PDS (except to the extent required by the Corporations Act) other than its tax opinion in Section 8. Except in respect of its tax opinion in Section 8, Paul, Hastings, Janofsky & Walker LLP does not make any statement in this PDS nor is there any statement based on a statement by Paul, Hastings, Janofsky & Walker LLP in this PDS.

**CB Richard Ellis** is the independent valuer of the portfolio. CB Richard Ellis has given and not withdrawn its consent to the inclusion of its valuation report in Section 8 and to be named in this PDS in the form and context in which it is named. CB Richard Ellis takes no responsibility for any part of this PDS (except to the extent required by the Corporations Act) other than its valuation report in Section 8. Except in respect of its valuation report in Section 8, CB Richard Ellis does not make any statement in this PDS nor is there any statement based on a statement by CB Richard Ellis in this PDS.

**ASX Perpetual Registrars Limited** is the Registry appointed by the Responsible Entity and has given and not withdrawn its consent to be named in this PDS in the form and context in which it is named. ASX Perpetual Registrars Limited takes no responsibility for any part of this PDS (except to the extent required by the Corporations Act). ASX Perpetual Registrars Limited does not make any statement in this PDS nor is there any statement based on a statement by ASX Perpetual Registrars Limited in this PDS.

**Trust Company of Australia Limited** is the custodian appointed by the Responsible Entity and has given and not withdrawn its consent to be named in this PDS in the form and context in which it is named. Trust Company of Australia Limited takes no responsibility for any part of this PDS (except to the extent required by the Corporations Act). Trust Company of Australia Limited does not make any statement in this PDS nor is there any statement based on a statement by Trust Company of Australia Limited in this PDS.

## 9.6 COMPLIANCE PLAN

The compliance plan for the Trust describes the procedures that the Responsible Entity will apply in operating the Trust to ensure compliance with the Corporations Act and the Constitution. The Directors of the Responsible Entity will oversee the Responsible Entity's procedures for complying with the compliance plan, the Constitution and the Corporations Act.

## 9.7 COMPLAINTS

The Responsible Entity provides a customer service facility that is equipped to handle complaints in relation to the Trust. If a Unitholder has a complaint it should make it to the Responsible Entity. The Trust Constitution contains a dispute resolution process which the Trust must follow in relation to complaints. In all cases, if a Unitholder is dissatisfied with the response, the Holder can raise the complaint directly with the Financial Industry Complaints Service:

Financial Industry Complaints Service  
PO Box 579  
Collins Street West  
Melbourne VIC 8007  
Telephone: 1300 780 808  
Facsimile: (03) 9621 2291  
[www.fics.asn.au](http://www.fics.asn.au)

Unitholders should first try to resolve their complaint with the Responsible Entity.

## 9.8 AVAILABILITY OF DOCUMENTS

The Responsible Entity will provide a copy of any of the following documents free of charge to any person who requests a copy from the opening date of the Offer to the closing date of the Offer, in relation to this PDS:

- the Trust Constitution; and
- the compliance plan for the Trust.

Copies of the above documents which are provided do not form part of this PDS. Requests for the above documents should be sent to the Responsible Entity at the address specified in the Corporate Directory. Copies of the valuation reports for the Properties by CBRE can be inspected at the same location. They also do not form part of this PDS.

Following the allotment of the Units in the Trust, the Responsible Entity will be a disclosing entity for the purposes of the Corporations Act and will be subject to regular reporting and disclosure obligations under the Corporations Act and the Listing Rules. These obligations require that ASX be continuously notified of information about specific events and matters as they arise for the purpose of ASX making the information available to the stock market conducted by ASX. In particular, the Responsible Entity will have an obligation under the Listing Rules (subject to certain limited exceptions) to notify ASX immediately of any information concerning the Trust of which it becomes aware and which a reasonable person would expect to have a material effect on the price or value of the Units. It will also be required to prepare and lodge with ASIC both yearly and half yearly financial statements accompanied by a Directors' statement and report, and an audit or review report. Copies of those documents lodged with ASIC in relation to the Trust may be obtained from, or inspected at, an ASIC office.

The Responsible Entity will also provide retail clients with a periodic statement for each reporting period. This statement will include:

- opening and closing balances for the reporting period;
- termination value at the end of the reporting period;
- summary of all transactions in relation to the Units during the reporting period;
- return on investment during the reporting period; and
- details of any change in circumstances affecting the investment.

Periodic statements need only be provided if the Responsible Entity has not already given investors the information that would be contained in the periodic statement.

## 9.9 PRIVACY

RAML respects your privacy. Any personal details provided to the Responsible Entity when you invest or at any other time in relation to your investment, will be used to administer and report on your investment in the Trust, and for purposes related to that. For example, your details may be used to establish your initial investment, process ongoing transactions, respond to any queries you may have, provide you with transaction, distribution, tax and annual statements, and to provide you with information on the performance of your investment, changes in product features, market and fund commentary and other topical information.

As well as using your personal details within UBS and Citigroup, the Responsible Entity may disclose it to other persons to enable it to provide your service. Such people include:

- third parties we appoint as advisers, agents or service providers such as auditors, custodians, administrators, mailing houses or legal advisers; and
- third parties you authorise to act on your behalf in relation to your investment such as your investment consultant, financial adviser, broker or solicitor.

The Responsible Entity may also disclose your personal information to other persons and entities as permitted under the *Privacy Act 1988*. The Responsible Entity may pass your personal details on to other member companies of the UBS Group and Citigroup Group, and from time to time we and they may send you information about other UBS and Citigroup products, services and special offers which we think may be of interest. If you do not wish to receive this information, please let us know by contacting our Office. Some of the personal details the Responsible Entity collects are required under superannuation, taxation or social security law. Other personal details requested are necessary to administer and keep you informed about your investment. The Responsible Entity aims to keep your personal details as up to date and accurate as possible. If any of your personal details are incorrect or have changed please write to the Responsible Entity at the address shown in the Corporate Directory. If you wish to find out what personal details the Responsible Entity holds in respect of you, please contact RAML's office.

This page has been left blank intentionally.



# SECTION TEN

## DIRECTORS' STATEMENT

## **SECTION 10 DIRECTORS' STATEMENT**

### **BOARD OF DIRECTORS OF THE RESPONSIBLE ENTITY**

This PDS has been duly signed on behalf of the Responsible Entity by its Director named below. Each Director has consented to the lodgement of this PDS with ASIC.

Philip Meagher  
Director  
Reckson Australia Management Limited



# SECTION ELEVEN

## GLOSSARY

## SECTION 11 GLOSSARY

The following is a glossary of the terms used in this PDS.

<b>A\$ or \$</b>	Australian dollars
<b>Allotment</b>	The allocation and allotment of Units to investors following acceptance of an Application
<b>Allotment Date</b>	The date upon which the Units are allotted to investors being 21 September 2005 unless otherwise determined by the Responsible Entity
<b>Annualised Yield</b>	The rate of return derived by dividing the cash distribution per Unit by the Issue Price of the Unit (to the extent paid-up) expressed on an annual basis
<b>Applicant(s)</b>	Persons who submit valid Application Forms pursuant to this PDS
<b>Application(s)</b>	An application to subscribe for Units under the PDS
<b>Application Form(s)</b>	The form accompanying or attached to this PDS to be used by persons wishing to subscribe for Units
<b>Application Monies</b>	Monies received from Applicants in respect of their Applications
<b>ASIC</b>	Australian Securities and Investments Commission
<b>ASX</b>	Australian Stock Exchange Limited or the market operated by it as the context requires
<b>Board of Directors</b>	The Board of Directors of RAML as described in Section 4.4 and whose members are listed in Section 4.5
<b>Borrowings and Financial Risk Management Policy</b>	The Trust's Borrowings and Financial Risk Management Policy as described in Section 2.9
<b>Broker Firm Applicant(s)</b>	Any Applicant that has received a Broker Firm Offer
<b>Broker Firm Offer</b>	The invitation under this PDS to Australian resident investors who have received a firm allocation of Units from their broker, details of which are contained in Section 2.16
<b>Broker Firm Offer Closing Date</b>	16 September 2005
<b>CBRE</b>	CB Richard Ellis, US licensed appraiser
<b>CHESS</b>	Clearing House Electronic Sub-register System
<b>Constitution</b>	The constitution of the Reckson New York Property Trust, as amended from time to time
<b>Corporations Act</b>	Corporations Act 2001 (Cth) as amended from time to time
<b>Director(s)</b>	Director or Directors of the Board of Directors of RAML
<b>DRP</b>	Distribution Reinvestment Plan
<b>Final Instalment</b>	The amount per Unit to be paid on 1 October 2006, being \$0.35 per Unit
<b>Forecast Period</b>	The period between the Allotment Date and 31 December 2006
<b>Foreign Exchange Hedging Policy</b>	The policy described in Section 2.10
<b>Gearing Ratio</b>	The Trust's share of debt as a percentage of the Trust's interest in gross assets
<b>GLA</b>	Gross Lettable Area calculation in square feet based on an assessment of the amount of space effectively available for rental purposes
<b>GST</b>	Australian goods and services tax
<b>HIN</b>	Holder Identification Number
<b>Holding Statement</b>	The statement issued to Unitholders by the Registry setting out their allocation
<b>IFRS</b>	International Financial Reporting Standards
<b>Initial Instalment</b>	The amount per Unit to be paid on Application, being \$0.65 per Unit
<b>Institutional Investor(s)</b>	Any institution to which an Institutional Offer is made pursuant to this PDS
<b>Institutional Offer</b>	The Offer of Units to Institutional Investors in Australia pursuant to this PDS
<b>Investment Policy</b>	The Trust's Investment Policy as described in Section 2.12
<b>IPO</b>	Initial Public Offering pursuant to this PDS
<b>Issue</b>	The Issue of Units pursuant to this PDS
<b>Issue Costs</b>	Costs of the Issue. See Section 6 for a description of fees and expenses of the Offer

<b>Issue Price</b>	The fully paid Issue Price of \$1.00 per Unit (incorporating the Initial Instalment of \$0.65 and the Final Instalment of \$0.35)
<b>Issuer</b>	Reckson Australia Management Limited (ABN 65 114 294 281) (AFSL 289224)
<b>Joint Lead Managers and Underwriters</b>	Citigroup Global Markets Australia Pty Limited (ABN 64 003 114 832) (AFSL 240992) and UBS AG, Australia Branch (ABN 47 088 129 613) (AFSL 231087)
<b>Listing Rules</b>	The listing rules of ASX, as amended from time to time
<b>Metropolitan Area</b>	The larger metropolitan area within which a property is located
<b>New York Tri-State</b>	The New York Tri-State area encompasses the populated areas in the US states of New Jersey, New York and Connecticut. The area comprises five key sub-markets, including New York City, Westchester County (New York), Fairfield County (Connecticut), Long Island (New York) and Northern New Jersey
<b>NLA</b>	Net Lettable Area (GLA excluding any storage space, health clubs, café, antenna space, drop box space and certain other non-office spaces)
<b>NTA</b>	Net tangible assets
<b>Offer</b>	The offer of Units pursuant to this PDS
<b>Option Properties</b>	The 10 properties listed in Section 2.5
<b>PDS</b>	Product Disclosure Statement
<b>Product Disclosure Statement</b>	This document dated 15 August 2005 including the Application Form which accompanies it
<b>Pro Forma Consolidated Balance Sheet</b>	The Trust's Pro Forma Consolidated Balance Sheet as at Allotment as provided in Section 7.1
<b>Pro Forma Financial Forecasts</b>	The collection of the Trust's Pro Forma Forecast Consolidated Income Statements and Pro Forma Consolidated Balance Sheet
<b>Pro Forma Forecast Consolidated Income Statements</b>	The Trust's Pro Forma Forecast Consolidated Income Statements for the period from Allotment to 31 December 2005 and the year ending 31 December 2006, as provided in Section 7.2
<b>Properties</b>	The proposed portfolio of 25 properties listed in Section 5.1
<b>Purchase Price</b>	Property acquisition price including existing debt facilities and/or debt restructure costs
<b>RAML</b>	Reckson Australia Management Limited (ABN 65 114 294 281) (AFSL 289224)
<b>Reckson or Reckson Associates</b>	Reckson Associates Realty Corp., its subsidiaries and affiliates, collectively and individually
<b>Reckson New York Property Trust</b>	The Trust constituted under the Constitution known as the Reckson New York Property Trust (ARSN 115 585 709)
<b>Registry</b>	ASX Perpetual Registrars Limited
<b>REIT</b>	A "Real Estate Investment Trust" within the meaning of section 856 of the US Internal Revenue Code of 1986, as amended, and the regulations promulgated thereunder
<b>Responsible Entity</b>	Reckson Australia Management Limited (ABN 65 114 294 281) (AFSL 289224) or its successor
<b>Section</b>	Refers to a Section in this Product Disclosure Statement
<b>Sponsor Fees</b>	Fees received by Reckson for establishment of the Trust. Fees comprise a credit enhancement fee, a transaction structuring fee and a capital restructuring fee as described in Section 6.1
<b>Sq ft</b>	Square feet
<b>SRN</b>	Securityholder Reference Number
<b>Tranche 1</b>	Refer to Sections 2.4 and 2.8 for details
<b>Tranche 2</b>	Refer to Sections 2.4 and 2.8 for details
<b>Tranche 3</b>	Refer to Sections 2.4 and 2.8 for details
<b>Trust</b>	Reckson New York Property Trust (ARSN 115 585 709)

<b>Trust Company</b>	Trust Company of Australia Limited (ABN 59 004 027 749)
<b>Trust's Properties</b>	The properties held by the US Entities in which the Trust has an indirect interest of approximately 75%
<b>Underwriters</b>	Citigroup Global Markets Australia Pty Limited (ABN 64 003 114 832) (AFSL 240992) and UBS AG, Australia Branch (ABN 47 088 129 613) (AFSL 231087)
<b>Underwriting Agreement</b>	The agreement between the Responsible Entity and the Joint Lead Managers and Underwriters dated on or about the date of this PDS under which the Joint Lead Managers and Joint Underwriters have agreed to underwrite the Issue
<b>Unit(s)</b>	A Unit in the Trust as provided for in the Constitution
<b>Unitholder(s)</b>	The holder of a Unit
<b>US</b>	United States of America
<b>US Entities</b>	The US REIT, US LLC and its controlled entities
<b>US LLC</b>	Reckson Australia Operating Company LLC, a Delaware limited liability company
<b>US REIT</b>	Reckson Australia LPT Corp., a corporation incorporated under the laws of Maryland, USA
<b>US\$</b>	US dollars



# SECTION TWELVE

## APPLICATION FORMS

This page has been left blank intentionally.

# CORPORATE DIRECTORY

## RESPONSIBLE ENTITY OF THE TRUST

### **Reckson Australia Management Limited**

Level 25  
The Chifley Tower  
2 Chifley Square  
Sydney NSW 2000  
Phone: (02) 9293 2911  
Fax: (02) 9293 2912

## JOINT LEAD MANAGERS AND UNDERWRITERS

### **Citigroup Global Markets Australia Pty Limited**

Level 40  
2 Park Street  
Sydney NSW 2000

### **UBS AG, Australia Branch**

Level 25  
Governor Phillip Tower  
1 Farrer Place  
Sydney NSW 2000

## CO-MANAGERS

### **Bell Potter Securities Limited**

Level 33  
Grosvenor Place  
255 George Street  
Sydney NSW 2000

### **Citigroup Wealth Advisors Pty Limited**

Level 40  
Citigroup Centre  
2 Park Street  
Sydney NSW 2000

### **UBS Private Clients Australia Limited**

Level 27  
Governor Phillip Tower  
1 Farrer Place  
Sydney NSW 2000

## AUSTRALIAN LEGAL ADVISER

### **Allens Arthur Robinson**

Level 23  
The Chifley Tower  
2 Chifley Square  
Sydney NSW 2000

## INDEPENDENT ACCOUNTANT

### **Deloitte Corporate Finance Pty Limited**

Level 9  
Grosvenor Place  
225 George Street  
Sydney NSW 2000

## US LEGAL AND US TAX ADVISER

### **Paul, Hastings, Janofsky & Walker LLP**

75 East 55th Street  
New York  
New York 10022

## AUSTRALIAN TAX ADVISER

### **Deloitte Touche Tohmatsu Limited**

Level 9  
Grosvenor Place  
225 George Street  
Sydney NSW 2000

RECKSON  
NYPT